Contents

Abstract

Corporate social duties have been investigated through various kinds of studies, innovative work (R&D) cost and expense shirking on the money related execution of the associations from assembling divisions inside Pakistan. Effect of these three are viewed as together as independently work has been done on each and since a decade ago these are looked into generally as the enthusiasm of speculators has been expanded to much degree in knowing the states of the previously mentioned on the money related execution of the association. Individuals are currently getting increasingly taught and worried about their privileges, they likewise hope for something else from associations to accomplish for their government assistance that is the reason CSR is remembered for this exploration. In the current advanced period, developments are required by individuals. Corporations are centered on making developments and innovations in their items and administrations and it requires a great deal of cash to be spent on it. R & D expense is incorporated in light of this explanation. Tax sheltering is a method for setting aside cash for the owners. Firm shows distinct fascination for chopping down their expenses and increment abundance of the proprietors. However, tax avoidance is likewise taken as social untrustworthiness by social orders particularly when forceful choices are taken by the administrators to maintain a strategic distance from overwhelming expenses of the firm. Tax avoidance is acceptable or not and up to what degree it ought to be finished? To address these inquiries charge evasion is remembered for this exploration. The empirical research is focused on secondary data gathered through no probability convenient sampling of listed manufacturing companies in Pakistan stock exchange, for analyzing the E-views software is used in which the Least Square Regression (AR) model is applied to extract results regarding model fitness. Empirical results shows significant positive impact of the independent variables on the dependent variable of firm’s performance measures. The observational research has numerous ramifications in field of business as the organizations must select assessment evasion methods with the goal that reserve funds can be utilized in sound ventures which can produce momentous benefits in long haul, henceforth, creating right utilization of investment funds accumulated by charge shirking procedures. The organizations will get advantage by utilizing the blend of these factors so as to produce fiscal advantages in long haul. The factors let the organizations create positive picture, hunker down contenders and too cutting most enormous expense of the firm.

Key words: Financial performance, CSR, R & D outlay, Tax avoidance, manufacturing sector of Pakistan

Chapter 1 Introduction

Mais (2005) performed research on effect of financial ratios, including NPM, ROA, ROE, DER and EPS, on financial performance of companies listed on Jakarta Islamic Index in 2004. The outcome of this research explains that statistically all variables except DER are significant and have positive impact on financial performance of firms.

Financial performance of any firm is very important in a context that in arguing with the agency theory conflict, thing that is sole responsible for the symmetric position of management and owners is the firm's financial performance as if, financial performance is not attained that will tend to an agency conflict. (Jensen and Mackling, 1976)

Since last two decades the interest of researchers has fittingly increased in knowing the importance of corporate social responsibility in context of a firm's growth. Previous global financial crises are the main reason behind it, as the firms are now more active in understanding and taking the precautions to survive in case of any financial crisis. Firm are willing to take different kind of measures for their survival. With this point of view different measures are taken by the firms including active participation in corporate social responsibility, making investment in research and development and also adopting legal ways of tax sheltering. Current research will examine the influence of these three components; corporate social responsibility, research and development outlay and tax avoidance on the financial performance of firms in Pakistan. Previously made studies have investigated the impact of all these separately but latest research and analysis examined the impression of all the together on the financial performance of the firm.

Companies are started with profit generation goal by the people. For meeting their goals they have to interact with the society. Firm are of three types i.e. the ones which are oriented on the profit generation only. The aim of these firms is just to maximize their income and generate more and more profit for the owners / shareholders of the firms. The second types of firms is government firms. These firms are mostly the ones who made rules that are followed by the other organizations. There firms are not based on the profit generation point of view. Third ones are the nonprofit organizations. These organizations are based on the aim of doing people welfare. Their main purpose is to help people and work for the welfare of the people.

Recent development related to firm's improvement is generated by economic point of view which eventually confirmed that Economics is the base of all social sciences. According to Coase (1937) economists had tried to know that what constitutes a firm and reasons of a firm's existence. Both strategy and entrepreneurship scholars have come to the central point that network plays an important character in emerging organization and its development. For assertion of resources, the firms network relationship represents reproving avenues in case of endurance and development of the Organization. (Gulati, 1998; Jarillo,1989). The life cycle of the firm revolves around early phases of emergence, maturity, growth, often death and later growth which are confirmed through both; the strategy and entrepreneurship research (e.g., Churchill and Lewis, 1983; Gartner and Brush, 1999; Kazanjian and Drazin, 1989).

The perspective stage is considered helpful in creating the general processes of firm evolution and continues change overtime especially at progressive stages of the firm. Our view in relation to the firm stages is that it represents trifling changes over time; instead of use as representative for many tactical issues (Quinn and 1983) e.g., objectives, stocks, supply needs and challenges of acquiring new resources. The assumption and belief in life cycle approach in every stage that shows effect on fauna and degree of an organization outside reserve requirements and reserve gaining trials represents a different or strategic context. In this way, organization have to evaluate the reserves trials in directive to survive effectively and growth in every stage the firms. When the firms are legally created its emerging stage has begun. (Gartner, Bird, and Starr, 1992; Gartner and Brush, 1999). High degrees of equivocality is being characterized by emergence (Gartner et al., 1992) or indecision about reserves, procedures, consumables, and the social situation as the developing organizations have to do rather it has never done before. According to the said scenarios mentioned above, in later growth stage, the newly arising firm has lesser degrees of conformity of law or to the rules and goodwill (Katz and Gartner, 1988). The firm in early stages need outside reserves and knowledge cannot be obtained within the organization which is than obtained externally. The firm on its early stages must depend on network outside the firm to share resources and competencies on conversation term rather than outdated marketplace dealings which are not accepted because of less investment or lack of rule of law.

(Dubini 1991). In view of the above, necessitating a comprehensive search and the use of further but rare resources, firms desired both substantial and a wider possibility of reserves than were desired previously. Availability of resource involves an ability of firm to identify where and when then specific resources are available, specially focusing on their cost of acquiring and difficulties. Once resources are available, it is helpful for the firm to start the procedures of the organization.

Relationship between economic and legal change is composite and does not impart itself to a linear explanation. At different historical stages, an analysis of the above said relationship needed consideration of the dynamics at work. The main concern of researcher for decades is tax avoidance, however, many researchers also found other related studies in connection with tax avoidance such as; little factual proof available regarding inequalities in tax avoidance, and executive roles has been searched also. The characteristics of firm including its size and foreign operations along with tax plans are the ones which can be said as the characteristics of the firm which influence the tax avoidance.

Now a days, being socially responsible is considered as a strategy and tool of organizations, where the organizations by their own virtue amalgamates its public and economic subjects in its action which in addition with monetary benefits of the firm and with the relations of all persons who have some say in the organization, directed by admiration for the discrete, culture and the situation. aRegarding the policies in the said areas, it shares relevant information in many ways i.e. annual reports, sustainability reports, corporate social responsibilities reports, different information on their websites just to inform general public and environmental reports.

According to Habek and Wolniak (in 2015), now a days, many companies prepares corporate social responsibilities reports which are homogeneous, but eventually, the quality of information which is required to disclosed is not up to standard and general public are not able to understand the importance of such information. Recently, problems arise in connection with superiority of information disclosed shared by the informally accountable companies due to various technical ways adopted by the Company to disclose these intelligences which become humbler and in public attention. The ways through which information disclosed has directly proportion to the quality of CSR. Whereas, in some cases it is consider a welcome signal when the companies behave socially responsible and communicate with the shareholders that they often pay attention on excellence of evidence rather than quality. The concept of same quality needs to be defined first in order to evaluate that socially responsibility information provided by the company is good, as not everyone have a knowledge about information disclosed in the financial statements. Difficulties to evaluate the excellence as an article is subject to which sort is difficult, delicate and personal. Usually, quality as an object is defined through their properties, its consistence with specific guidelines or confinements.

Two fundamental characteristics that IFRS has specifies regarding the nature of exposure of data related to the finances is relevance and faithful representation. Further, many escalate characteristics distinguished: comparison, verification, timeline, understandability. Accompanied with respect to idea of value and the attributes of social data that is revealed by its own virtue is still a matter of discussion (Boesse, Kumar, 2007; Whittington, Ekara 2013.)

Over the past three decades, the impact of research and development and all the investments complete in this regard have been a serious and an appealing topic for both the researchers on the academic side and businessmen. Profound analyses in relation to economics, accounts and finance evaluate that how shareholders have concern about research and development agreement as savings that are likely to payback the upcoming monetary assistances. Efforts on research and development enhances corporate value is precedent for some researchers (Pindado et al. 2010). However, different researchers exhibit that new announcement related to research and development incentive have been positively impacted by the changes in market values (Chan et al. 2001). A huge arrangement of researches surveyed the amount of expenditures on intangibles (Shi 2003) concentrated on inquire about and advancement charges, interests in patient right, brand names, copy right and trademarks (Barth et al., 1998), goodwill (Chauvin 1994), patents (Hall et al., 2005) and human resources (Hanson, 1997). The conclusion drafted from the above said analyses extensively indicate that investment in asset that are not tangible will definitely add on to the value of the firm.

Financial literature, where the advantages of expense which are done on the research and development on the collective recital of the firm have been broadly considered resulting spotlight mixed trends. Considering the condemning importance of research in the world market as a tool to pull through the vicious competition, the academic community analysis confirms the positive correlation between the investments that are made by the investors and managers of business on the development of innovations and financial performance. To publish a readily available consumables or service, if an organization laboriously invests in R & D, it be entertained by a higher future monetary benefit if the technology can be vended on a higher scale (Das et al., 2009, p. 2). From past few decades, new innovations have not always considered a growing corporate value, which leads to abortion regarding business expectations.

1.1 Corporate Social Responsibility and Financial Performance

CSR represents the responsibilities of a firm which are related to the society. That responsibilities which stakeholders considered to be important. Companies have to show off that they care for its stakeholders and present themselves as they are socially responsible. Since last 30 years the pressure of being socially responsible is increased on the companies and they have to act accordingly to survive in the competition. CSR is defined in many way even some researchers have defined it as a vague concept that cannot be explained exactly. For example, Frankental (2001) explained the concept of CSR as it is an intangible term that differs from person to person and action to action and cannot be measured at one point only. Mallenbaker (2006) introduced corporate social responsibility as the actions of firms that are taken to show to their optimistic impression on the society. Corporate social responsibility is giving all the investors in ethical way according to (Hopkins, 2003). Relationship among the presentation of a firm and corporate social responsibility is disused widely in the literature but it is still a debate as some researchers are in its favor and others are against it. This study has considered the importance of CSR and its reporting to the stakeholders in context of its impact on the performance of the firms.

The term CSR defines three things in it i.e. corporate, social and responsibility. It means this term is related to the social aspects of the corporations and their social responsibilities. Social is very broad term it includes all the people or organizations of the society which are being effected by the corporations' actions it may include government like organizations pay tax to the governments, investors of the organization, all the workers of the organization, general people of the society as all the actions taken by a firm effects the general public for example, the impact of the corporation on the environment etc.

Firms should get involved in social responsibilities or not it is still a debate. Everyone has different views on it. People who are from the economics family believe in that firm should be focused on maximizing the wealth of the owners it should not increase its expense by spending on the social activities. The sociologists on other hand argue that society also has some rights on the organization and it should work for the wellbeing of society and all its investors.

Lu et al., (2014) studied that the association among the financial performance and corporate social responsibility is still not clear. Three types of CSR approaches have been defined in the literature first one is known as regulation, it explains the obligations that are morally imposed on a firm from its stake holders, second one is descriptive, this explains in term of legitimacy and third one is named as instrumental which is related to the reputation of the firm (Donaldson, 1995 and Boesseo 2013). Porter (2002) added and additional approach namely strategic approach this was consistent of previous approaches along with the relationship between society and firm. A firm can adopt anyone of these approaches or all the approaches according to the needs of the society (Boesso, 2013). This research is aimed at knowing the real impact of CSR on the performance of the firms and for this it has considered the net profit ratio for the selected years to that either the CSR reporting has affected the net profit of the firms or not.

The links between financial performance of the organizations and their activeness in the corporate social responsibility is supposed to be neutral as some researchers have taken it as positive and some have explained it as negative relationship. Cheung (2009) inspected the influence of corporate social responsibilities on the marketplace growth of organizations and found a positive relationship between the two. According to Cheung (2009) in Asian countries, corporate social responsibility effects the market value of the firm positively, the more a firm manages to get repute through CSR, more profit is generated by the firm due to positive image in society. Similarly, a positive and huge linkage among corporate social duty and financial connected implementation was found by Choi and Choe (2010) while they were working at Korean firms. Corporate social responsibilities have shown a constructive influence on the financial performance due to the image created in the general public (Khalid et a, 2012). So the current study has tried to clear the ambiguity related to the impact of CSR on the financial performance of the firms.

People feel more satisfied while purchasing the products of such company which has created a repute of being socially responsible (Srawar et al, 2012). Clifrord (2011) also examined the effect of CSR on the financial performance of the firms and concluded in positive relationship between the two. Due to active participation in social responsibilities, firms gain an intangible assets of reputation among the people of that society. Due to this image, people prefer to buy the products of such company that are socially responsible in their opinion as matched to the organizations which are not active in corporate social responsibility. This increase in sale leads to increased profitability ultimately.

Impact of being socially responsible corporation has gain fame among the people of current era (Fiori et al., 2007). Some of the previous researchers are not in the favor of making expense on the corporate social responsibility activities. Like Perrini (2011), suggested that a firm shouldn't spend on social programs, the amount it got excessive and is going to spend on social issues should be either returned to the owners of the company or should be used to enhance the efficiency of the organization. It is due to the thinking that it's the duty of Govt. to take care of social issues, not the firms. Firms should focus on their main theme i.e. profit generation. Many other authors are also in the favor of not making expenses on corporate social responsibility activities due to the notion of agency philosophy. According to them due to the presence of conflicts in the interests of managers and owners, the managers misuse the amounts in the designation of corporate social responsibility. They like to spend less on corporate social responsibility and keep the remaining the amount with them for their personal uses. Lima (2011) studied a negative relation among corporate social responsibility expenses and financial performance of the firms with the argument that corporate social responsibilities evaluate the expenses of a firm that should be used on making a firm efferent in its operations. According to the researchers who are against making expenses on corporate social responsibility, these expenses should be made on purchasing new machinery, training of staff and on the development of new products and services as these will add more value to the presentation and growing of the organization as associated to the value added by the corporate social responsibility. Organizations are not only profit-making organization but also give thought to social and ecological interests. That's why Corporate Social Responsibility is deemed to be one of the tools of business management concept.

Why firm evaluate CSR is a great source of interest to study now a days. Positive accounting theory (Belkaoui1989) and the stakeholder theory (Carroll, 1991). Factual evidence has been supplied (Gamerschlag 2011) has been adopted by the many of the pioneering researchers to explain the CSR phenomenon. However, CSR components in developed countries is different from developing countries, many factual evidences were observed in developed countries instead of developing countries (Visser, 2008). Therefore, it is necessary for developing counties to put effort into the field of CSR. From 01 January 2014 onward, Thailand (SEC) conducted voluntarily based important role regarding the regulations related to reporting of non-financial information. For issuance of mandatory disclosures on CSR information, the country is solely responsible for issuing relevant legislation and standards (Noronha et al., 2012). European countries like, Norway, Sweden, United Kingdom and Switzerland have their CSR disclosure regulations already. Kumar (2007) further enforces the standard of attributes nature of information, type of information. In addition to the above, Beretta, (2008) asserted that the quality and quantity and of information disclosed have not clearly distributed. It is generally examined that, measures of quality are often used as a replacement for quantity as information influences the quality setting. However, not every attribute explained the standard of the details as they may varied and can be replaced as what is more valuable and related for the evaluator. The assessment in relation to quality of social reporting focuses on different components i.e. style disclosure, analyzed themes, scope of the report and the nature of the disclosure and so on.

By making use of sustainability report, it is compulsory to disclose their CSR components firms for the organizations that are registered on Stock Exchange. Firms already prepared the CSR disclosure which tends to cost less each year. However, where there is more comprehensive detail regarding sustainability report it may not be outstanding to investors. In this regard, which types of firm preferred sustainability report choice, is a matter of study. Cormier and Gordon (2001) clarified regarding firms reporting strategies are affected by firm size, corporate ownership along with the risks faced in capital markets. If the organizations have high company visibility than expectation of a firm selecting the sustainability report intensified (Gamerschlag et al. 2011). As explained earlier, no conclusive suggestion regarding the motivation overdue the organizations own excellent of making an unconnected sustainability report in Thailand.

Further, many investor groups to account on ESG placed intensive pressure regarding movement towards sustainable development. Consequently, companies are asked to recover slide in reporting on their CSR performance for many past years, (Arvidsson, 2010). According to the research conducted by KPMG (2011), the ratio of reporting CSR issues is 95% among 250 largest global companies. Hence, reporting practice in the field of research for academics, seems to be auspicious.

The investigation of Young (2012) can be measured as highly influenced in relation to directing a contented analysis regarding a company’s Corporate Social Responsibilities and provides different reasons why organization report on Corporate Social Responsibilities.

There is an affluent indication and many researches based on CSR and related reportage. Though, main concern was on the fiction that which is the most applicable and related to our study. Different methodology used like page count or word of Corporate Social Responsibilities reports regarding standardized information in relation to internationally recognized guidelines and GRI guidelines or other have been used to gauge CSR information disclosure previously (Ferrero 2013). The study of Font, (2012) absorbed on trying the slit between Corporate Social Responsibilities claims benchmarking the practices of the companies and actual practices functioning in the European leisure marketplace. According to related research, actual operations hasn’t reflected by corporate reporting. Moreover, inward looking socio-economic policies have been achieved by little consideration of effects on the goal just as a constrained client commitment. Comparison between controversial industry sectors and CSR reporting and has been examined previously. According to Weber (2012) they examine according to CSR with respect to performance of the financial sector and ability to maintain a certain level and compare the other sector with financial sector as well. Moreover, in general, the CSR is considered relatively higher than financial performance sector and environment and society is affected by sustainability reporting by direct productions or the use of incomes. Similar results were also concluded by the Frynas (2010). According to their findings, sustainability reports as a source of CSR communication are quite ignored and scarce organizations distribute the sustainability report to public. According to the GRI report from 2009, President Obama highlighted Spain as an important country with renewable energies because of maximum quantity of printed GRI reports (Reverte, 2012). Further, Eurozone companies against Integrated Scorecard are first to discover the CSR reporting observes which added international gratitude from XBRL standards in 2013. In Euro zone, our contribution related to study is to provide an impression of Corporate Social Responsibilities reporting practices.

1.2 Research and Development Outlay and Financial Performance

The impression of innovative work on the performance related to the monetary term of a firm is of key significance. Advantages of making expenses on the research and development studied widely in the literature in context of financial performance of the Organizations. Research and development have become a sturdy instrument for the firms to survive in the race of competition in the present world. Competitive advantage is important for every organization to make its position strong in the market among its competitors. Firms make their best efforts to have competitive advantage. Research and development is helpful for the firm for getting competitive advantage. In the recent years new technologies are emerging well. Firms has to work on adopting new techniques and technologies to get lead over their competitors. Business communities have shown a great interest in research and development expenditure in order to make firms more strong and earn more profit (Duqi and Tortuccio, 2011). The topic of research and development has gain much importance among the researchers on the side of academia and among the investors on the side of business community over the period of last couple of decades.

Expenses made on research and development are considered to be intangible assets' development by a firm. Investors take interest in making expenses on research and development with a point of view that this investment will increase their returns in near future. Research and development in not necessarily to be made on the tangible assets like making new products or enhancing the performance of already existing products but firms have also make research and development expenses in order to develop their intangible assets like copyrights, patents etc. (Hall et al., 2005 and Germeraad, 2010). Franko (1998) concluded that research and development is the key to build such capabilities that will help in gaining competitive advantage. The previous studies shows a mix of results and opinions that research and development do impact the performance of the firms. This study has tried to contribute towards the impact of all the expenses made on R&D on the financial performance of the firms.

A firm has to be more innovative than past in the present ear. Firms have to adopt new technologies and methods or productions etc. to sustain their profitability. The more innovative a firm will be the more profit it can earn. Hall and Sen (2007) investigated the influence of research and development on innovations and concluded that making expenses on research and development will enhance the ability of firm for being innovative. So keeping such importance of research and development this study has also examined the impression of research and development on the financial performance of an organization. To examine the impact of R&D current research has used innovation ration to explore that either commitment to make expenses on the R&D is fruitful or not.

Numerous authors are in the favor of making huge expenses on the research and development as it will return in future and will be helpful in making a firm innovative and stronger among all the industrial competitors. But many authors have also argued on the influence of research and development on the performance of the organizations. As Hendrik (2009) suggested that research and development is connected with high level of uncertainty of the returns. Accruing to him, there is no certainty that all the efforts and expenses made on research and development will give a positive result. It is quite possible that it may ends in a failure and at that time it will be an increased cost to the firm and will decrease its profits.

Cheng et al (2017) argued that research and development is not that useful for short run. As the results of research and development may take a time period from three to seven years to show the results and pay back to the investors for their investment in the research and development. During this time period the financial performance of the firm cab be effected due to the increase in expenses and income will remain same. So research and development can affect the operational performance of the firm due to lack of resources. This study will stab to examine the influence of research and development on the financial performance of the organizations so that it may clear ambiguity of the influence of research and development on the financial performance of the firms.

Insight of the internal and external participants which limits the information asymmetry offers recognition of development costs. (Aboody 1998) investments in intangibles for both the capitalizing firm’s administration and also for the stakeholders can be profitable for positive expected net present value. As indicated by, Garcia-Garcia (2010) results affirmed that the market recognizes the job of research and development consumptions and those speculators acknowledge the ventures with no stores. Pandit et al. (2009) investigated the correlation among volatility of future presentation and successful R & D expenditure. As the results of R & D's are always uncertain, the future earnings based on Research and Development are also uncertain. It means expenses made on research and development are not necessarily to generate income. The authors stressed that, future performance related to research and development is highly in connection with the number of patents like patents citation. The above said correlation is extensive relative for creative and ground-breaking organizations. Otherwise, His study also showed it is easier to perceive the productivity of a company's research and development outlays and efforts by implanting the information

Kothari et al. (2002) made correlation of the flightiness of future advantages driven by the R & D, which with the potential execution of capital use make immaterial resources, that is probably going to prompt substantial resources. The standard deviation of future earnings is deemed to be strongly correlated with research and development and the same is documented by the authors also. Kothari et al. (2002) further identified that the findings of the study driven by Amir et al. (2007) by alliance their model into different time intervals and organizations. He discovered that, with in research and development intensive industries manifested with the volatility of potential earnings have highly linked with R & D. However, many studies are against with these thinking; the results showed that profitability among companies in a specific industry are not in connection with the R & D investments and advertising. The measures of drafting the profitability ratio is different and complex. Current and past levels is not viable rather we have to pay attention on the correlation between R & D investment and profitability considering the future research and development (Eberhart et al. 2004) He from five years' time window, abnormal operating performance and research and development are positively correlated. The existing panoply of the scholars confirmed the relation among research and development and market performance are critical research topic. Future market growth and research and development highlighted as positively linked. However, research and development does not throw impact on market value of an asset (ex-ante 1994). Various methods have been observed by researchers, such as abnormal returns models or market value and Tobin's Q, market-to-book. Based on a model of Ben-Zion, market value has been influenced by research and development and advertising capital. Resultantly they both have connected in a positive manner. With the increase of market value, research and development are also increased and vice versa. Tobin's Q methodology also agreed on the same point of view as discussed above, No conclusive report that the performance of highly intensive research and development organizations is higher to that of non-research and development businesses which can be confirmed by three financial performance indicators suggested by Das et al. (2009) that is profitability, market revenue and revenue improvements. However, Tobin's Q. through regression and correlation analysis showed positive influence of research and development intensity on the company's fair value. The research includes exclusive studies states that revenue growth of the organization is strongly correlated with research and development expenditure. For instance, business's market value, financial performance and value creation efficiency are relative which is discovered by Chen et al. (2005) by studying on Stock Exchange listed companies of Taiwan during 1992-2002. The research shows increase in revenue because of powerful relationship between research and development intensity. Lau (1998) also highlighted the same correlation as suggested by Chen et al. (2005). The work of Dave et al. (2013) highlighted that financial stability can be achieved when organizations are highly dependent on research and development intensity. The authors also emphasized that positive impact on research and development activities can be achieved from adverse effect on the technological performance and revenue generated from sale. However, it is varied from business to business the inferences of gap among improvement of financial sustainability and minute of the research and development expenditure. It is very difficult and time taking process for exploring the impact of research and development efforts on financial stability. His finding suggests a relativity among the net sales less cost of goods sold (gross margin) and intensity of research and development. Many IT organizations designed the pricing strategy. Moreover, it shows the sturdy link among net sales less cost of goods sold connection between the gross margins and financial information maintained at certain level, regulated by profit earned by the company in relation to overall resources often called return on assets (ROA). The company's accounting treatment of research and development undertaking is directly correlated with company's financial presentation. However, if the R & D cost is material and substantial, it will decrease the residual amount of earnings after all expenses and the profitability gages (Return on asset and Return on equity) for the agreed retro. (Das et al., 2009), he suggested that total current and non-current asset of the organization shall be heightened by recognition of the research and development spending as an asset that is not tangible. If particular research and development activities drive patent issuance, then research and development efforts will emerge the financial benefits of the company. Through assembling of circumstances, research and development undertaking has straight impact on an organization profitability level. By capitalizing or expenditure of research and development efforts the difficulties may create error for accounting substitutes as; the speed or abilities to advertise the advancements into the contributions that catch purchaser needs and inclinations a business methodology to increment or increase piece of the overall industry or income and so on. (Das et al., 2009). However, two points where the researchers find difficulties are; profitability indicators and positive and a negative connection among research and development intensity Chen et al. (2005) explained that value for company's future profitability and income increase by showing the relativity among research and development efforts and return on equity and return on asset. Law (1998) argued that the revenue growth is more powerful as compared to difference in high and low research and development intensity and return on asset. From another point of view, Kotabe et al. (2002) highlighted a meaningless adverse link among return on asset and research and development intensity. Quo et al. (2004) highlighted that business profitability has adverse effect on R & D intensity. Usually, return on assets is positively correlated innovation. As explained earlier, an organization's financial presentation can be quantify by using total income of the company after deducting all the expenses and cash generated by the company from their operations. However, the quality of the company's patents is negatively correlated with the standard deviation of FOP. Innovation create reduction in uncertainty and induces high operating performance in this extent. Mojtahedzad eh and Abedi (2010) expressed three main hypotheses regarding research and development expenditure, that is; volume of sale and powerful relationship between research and development, a powerful connection among research and development expenditure and decrease in the total spending within a company, a significant relationship between research and development spending and the quantity of sales within an organization. Anagnostopoulou (2008) explored in 1978 and 2007 the correlation between reaction of external market and research and development which resultantly describe the highly correlated relationship among the two above said variables. Moreover, he also identified the other factors caused the market reaction such as; capital structure, economic condition of the country along with actual and future performance of the company etc.

1.3 Tax Avoidance and Financial Performance

Every country tries to make economic development at its best. Economic development is dependent on the contribution of people of every country in many form like taxes etc. Taxes are the source of income for any government and then theses taxes are used on the welfare and development of people by the government. Tax revenue in a country is most important of the government in making economic developments. Tax avoidance is defined as the legally avoiding the tax and transferring the amount from government to corporates (Hanalon, 2010). Tax avoidance is adopted by every firm to make its finances more stringer by cutting off the heavy expenses of the taxes from the cost of the firms. Firms pays a huge amount to the manager of tax department of the origination to cut down the amounts of taxes which are even huger than the incentives to be paid to the tax managers.

Amiram (2013) said that the cost of tax is paid the shareholders by having a low amount of dividends. Investors of a firm are always interested in cutting off the expenses of a firm. They have keen interest in decreased expenses as the cost reduction in any way will lead to the generation of high profits by the firm and will eventually result in increased payouts to the investors. Desai (2009) proposed that the amount saved by the tax avoidance can be used by the organization in other operations like enhancing its technology and staff. Focus of the study is basically to know the effective rate that a firm should adopt by using different means of tax avoidance.

Many authors have argues that due to conflicts of interests among the managers and owners of the company, tax avoidance cannot be such a helpful thing. According to them managers' incentives are not affected by the tax avoidance as these incentives are mostly fixed by the organization so they make less efforts in minimizing the costs of taxation (Chen, 2005; Campbell, 2007 and Scholtens, 2012). Some authors have also argued that when managers are given an extra incentive of tax avoidance, they become ready to take aggressive decisions related to tax avoidance as they think that the more they will save more incentive will be given to them. They are concerned with their personal interests but not with the interests of owners so they don't bother much about the repute of the firm while taking some aggressive tax avoidance actions Davidson, 2004; Matis et al., 2010 and Amiram, 2013). Taking aggressive tax avoidance decisions can be harmful to the repute of organization that will also haze its own negative impact on different things. This study using HS method has offered the optimum ETR that may not harm the repute of the firm and that may also increase the revenue of the firms.

Tax avoidance is useful as it decreases the burden of tax from the firms but at the same time it also put firms on the risks of legal actions and reputational costs (Desai, 2009). Different people from different disciplines have different opinions like people from finance takes debts as tax shield and suggest to use it as one of the tax avoidance measures (Cooper, 2006; Kemsley and Nissim, 2002), economists do not focus on the importance of cost reduction but on the risk of reputation loss due to tax avoidance (Hanlon, 2009) and agency theory focus on the risk of conflicts of interests leading to the manipulation by the managers (Desai and Dharmapala, 2009). When the costs of a firm are decreased, it got more to invest on such activities that will help a firm in performing better in its financial operations (Desai, 2009). Tax avoidance is a set of activities that are tax reducing by nature including making investments via tax advantaged instruments like tax exempt bonds etc. taking steps towards such activities that may not be sustained if questioned by law like tax shelters etc. (Dyreng and Maydew, 2014).This study has also explored the impact of tax avoidance on the performance of the firms which are registered in the Pakistan stock exchange.

Philips (2003) in his recent studies, uses special survey data to interrogate that whether salary of the managers along with perquisites based on before tax or after-tax earnings that affects GAAP ETRs. Further, he concludes that managers are paid all types of compensations on the income that is generated after paying all taxes. Philips also observed that compensation of the managers on income after taxes are relatively in connection with lower GAAP effective tax rate as compared to income before tax of all business units. However, the CEO performance measures does not associate with the above said comparison. Many researchers have discussed the importance of tax avoidance like Desai and Dharmapala (2006) assess the relationship between tax avoidance and incentives taken by top managers sitting on high power positions to know that how agents' interest can lead to adverse effects of tax avoidance, in the same way Amrstrong et al. (2009) researched on the impact of incentives given to the tax directors and its impact of the performance of the firms via tax avoidance polices. Compensations paid to the tax managers can lead them towards taking aggressive actions for tax avoidance and that can have negative impact on the repute of the firm (Rego and Wilson, 2009). Robinson et al. (2010) said that tax department of any firm can be a profit generator for the organization by implementing effective tax rates and by implementing legal and most beneficial tax avoidance polices.

Tax sheltering is considered as the substitute of tax avoidance. The book tax difference BTDs covered by pretax income is statistically analogous or equivalent to the ETR as the same calculation of tax is used in case of total tax expense, current tax expense, or cash taxes paid. However, ETR multiplied with the firm's pretax return on asset (ROA) is directly proportion to BTDs which are scaled by assets which resultantly leads to measurement error. Henry and Sansing (2014) suggested the one typical way of controlling and overcome the error or differences in ROA, such as ETR that is scaled by pretax income, and propose an alternate measure scaled by market value of assets. They further proposed that in relation to ETR, MVE is the fair value of shareholders' capital and Net Income is actual profit after deducting all expenses. They explained the earnings-price ratio as differences between both growth expectations and risk across firms. Through this analysis they suggest and conclude that the measure is equivalent to ETR multiplied by a measure that reflects several different firm characteristics, including risk, growth, and leverage.

Every individual executives of the organizations have increasing effects on their firms' tax avoidance that cannot be defined by firm's characteristics. Shackelford and Shevlin [2001] who after decades of factual research in the field of taxation of the organizations have come to the point that individual executives paying little attention towards firm's tax avoidance process. In the prior publications and writings, individual executives were either disregard intentionally or treated as same and comparable inputs to the tax avoidance process.

1.4 Objective of the research

This study is aimed to know the impact of corporate social responsibility, tax avoidance and research and development outlay on the financial performance of the firm in Pakistan. Previously many studies have been made on knowing the impact of different variables on the performance of the firms but rare studies are made on thesis variables. Previous studies have offered a mixture of results while discussing the impact of the above mentioned variables. Some were in the favor of the selected variables and others were arguing against the. So this study is aimed at exploring the impact of the said variables to give a more clear insight related to the relationship of the independent variables i.e. corporate social responsibility, tax avoidance and research and development outlay on the dependent variable i.e. financial performance of the firms.

1.5 Significance of the Research

This study is focused on knowing the impact of corporate social responsibility, tax avoidance and research and development outlay on the financial performance of the firms from non-financial sector of Pakistan. This study is unique from the previously made researchers as the previous studies has separately assessed the impact of each independent variable on the financial performance of the firms but this study has assessed the combined effect of corporate social responsibility, tax avoidance and research and development outlay on the financial performance of the firms. This study will add much to the literature in understanding the nature of relationship among the corporate social responsibility, tax avoidance and research and development outlay and financial performance of the firms. Moreover, it will be helpful in clearing the ambiguity about the relationship of above mentioned variables on the financial performance of the firms as previous researches have offered mix results. This study will be helpful for both academia and business side as it will be helpful for businesses to make decisions regarding corporate social responsibility, tax avoidance and research and development outlay either they should spend on these or avoid it. It will also be helpful for businesses to understand the importance of tax avoidance and to which extent they should go for tax avoidance. It will also be helpful for investors to understand the importance of making investments in corporate social responsibility activities and research and development outlay.

1.6 Research Questions

This research has answered the following questions

Q1: What is the impact of corporate social responsibility on the financial performance of the firm?

Q2: What is the impact of research and development outlay on the financial performance of the firm?

Q3: What is the impact of tax avoidance on the financial performance of the firm?

Chapter 2 Literature Review

2.1 Corporate Social Responsibility (CSR)

Corporate social responsibility has always been an area of keen interest for managers, stakeholders, and researchers. Since 1930, the social performance of the firms is under consideration. It has been understood by taking the stakeholder theory as base (Rohu, 2016). The stakeholder theory implies that, firm should build value of its owners (shareholders) but as well as for all of its stakeholders i.e. employees, customers, investors and communities (Freeman, 1984). Corporate social responsibilities should be viewed as given that it is business' commitment to improve the quality of life of workers, contribute to economic development, act ethically, local communities, and society at large (Holmes and Watts, 2006). This study also admires the importance of CSR and especially reporting it to the stakeholders.

Connection between corporate social duty and the money related execution of the organizations was evaluated by the Khalid et al 2012 and a positive relationship was accounted for among the factors. Sarwar (2012) examined the impact of CSR on the financial performance of the banks in Bangladesh and concluded that return on assets of the firms who were more engaged and active in corporate social responsibility was higher than the other firms which were not active in corporate social responsibility. The market share of the companies who built their image of being socially responsible were having more market share than the firms which were with no image of being socially responsible (Alison et al., 2007). Clifrord et al. (2011) investigated and concluded that the firm which were socially more active gained more profit than the firms which were not active socially. This study has taken CSR in consideration so that the ambiguity about making the expenses on social activities may get clearer and importance of CSR may be elaborated in a way that makes its importance understandable even by taking it as an expense.

Margarita (2004) found the indication of the connection between the social obligation of organization and budgetary execution, he closed the positive indication of the connection between them. Bolanle (2012) infers that corporate social duty spending over the long haul gives a superior return. Banks in Nigeria should make some speculation on corporate social duty. It uncovers that there is sure connection between CSR use and banks benefit. In this way, there is causal connection between corporate social obligation and benefit of the banks. It is because of the way that cost/consumption on CSR will additionally diminish charge paid by banks. It makes business condition all the more inviting .Government should screen associations interest in social obligation to abstain from deluding in articulations to lessen taxation rate.

CSR has always remained an area of interest for scholars in many perspectives reputation theory (Friedman 1970), resource-based review (Muller, 2011, Merrill, 2009), agency theory and stake-holders theory. This current study investigates the relationship between CSR and financial performance of the firms in Pakistan's perspective. Different communication channels are used for corporate social responsibility reporting by companies like press releases, websites, internal communication, annual reports (Birth et al., 2008, Adams 1998).

Corporate social responsibility has become an interest of concern of managers as well as stakeholders too. Some companies try to use corporate social responsibility as tool to get competitive advantage in the market and attract more people towards the organization and increase profitability (Singal 2012). People not only looks for the quality of the product and name of the brand while purchasing the goods or services but they are also concerned about the company's image of social responsibility (Brandau, 2012). Corporate social responsibility activates can be helpful for any firm to make a better brand image and get competitive advantage while using the tag of corporate social responsibility (Gupta 2002).

Azad et al investigates the impact of corporate social activeness of the Islamic banks in Bangladesh. They explored the impact of CSR activities on the performance of Islamic banks and measured the costs which are incurred on CSR with the increase in the profits. They additionally uncover that main considerations influencing corporate social obligation exercises is feasible advancement.

Samina (2012) also worked on the performance of Islamic bank of Bangladesh in context of CSR. She also found that the banks who were active in employing their social responsibility polices and also took good care of their employees were making good profits as compared to the other banks.

But such advantages can be achieved by CSR only in case where stake holders are well aware of CSR and the activities carried out by the organization in this context (McWilliams, 2001). According to this impact of corporate social responsibility activities not only dependent on the actions taken for it but also on getting stakeholders well aware of the actions taken (Rhou, 2016).

For instance, Starbucks, one the most brands in the world, is well known and reputed for its CSR activities, but even then about 50% of its consumers are unaware of its CSR activities especially about its fair deal in coffee beans. It means firm is still not getting full advantage of its corporate social responsibility activates (Gibbons, 2010).

By active participation in corporate social responsibility and making it a continuous process a company assure the support of its all stakeholders in different forms that takes a company towards having a reputational capital which ends in helping to have some competitive advantage (Singal, 2016). This thing was also elaborated by (Brown and Dacin, 1997) that the main support a company gets in return of corporate social responsibility initiatives it took is the positive repute among the people that leads towards a positive perception of goods and services of the firm.

Reputational capital is an intangible asset for a firm and helps a firm to sustain its position in adverse conditions (Godfrey, 2005). This thing increases revenue generation of the firm and easily more sales are attained. Some customers become loyal due to the activities made by the company for its social responsibility and they even happily pay premium prices for the goods and services of such companies (McWilliam, 2001). Corporate social responsibility also increases the satisfaction level of the customer as it acts as the driver of customer satisfaction and it increase the market value of the firm in return. People do like to go for the products of the companies with a good image and about which they think that they are also investing a part of their incomes on the welfare of the society. The firms which are more actively participating the social activities enjoys more customers and consumers as compared to the firms which do not focus on the importance of social responsibilities.

The most widely used methods are website uses and annual reports of the firms. Annual reports are taken as more credible and at ease of access for a huge number of stakeholders (Tilt, 1994, Harte, 1998). Many researches have concluded that CSR has a negative impact on the financial performance of the firms as it is a cost paid by the firms (Salomon 2006, Ullmann 1985). Friedman (1970), purposed that higher authorities of a firm misuses the money taken for meeting the social responsibilities of the firm. In this way, less work is done on CSR and money is wasted on personal benefits that increase the cost of firm but no impact on society is gained.

Some researchers are not in the favor of corporate social responsibility and spending money on it. According to them a firm should spend the earnings should be spent otherwise like on activities that add-on the value to the firm or should be included in the share holders' money. Taking CSR as an extra cost they argue that this extra may not add on the profit of the firm as compares to other activities that increase the performance of the organization (McGuire et al., 1988). Soloman (2006), concluded that getting involved in charities, enhancing the welfare of people and efforts to take the damage to the environment inexpensive to do and also increases the administrative burden of the firm.

The expenses made by an organization on corporate social activity should be taken as investment not as expense for the organization as it will pay back to the origination in several ways (Wibison, 2007). Corporate social responsibility is defined as relationship between the stakeholders of an organization and the organization, where stake holders includes all the people who are getting effected by the organization in any way including investors, government, customers, suppliers and even employees of the organization (Solihin, 2009). Firms which are actively participating in the corporate social activities and have gained a good repute due to welfare of society are performing much better than the other firms who are not so active in corporate social activities and people don't think that these firms are doing anything for the welfare of society (Jo and Harjoto, 2010). Johnston (2009) presumed that by contacting people with CSR, organizations could build their incomes and benefits in a better way than without CSR, which eventually improves their opportunity of surviving in the long run.

The empirical relationship between the financial performance of the firms and corporate social responsibility was assessed by the Choi and Kwak (2010) while taking Korean firms as their sample. They used return on assets and return on equity as the profit indictors. They also concluded that there was an increase in the return on assets ratio and return on equity ratio when firms performed actively in CSR. Difference finding finished up by Nelling and Webb (2009) and furthermore Mulyadi and Anwar (2011). Nelling and Webb look at causal connection among CSR and money related execution. Utilizing a period arrangement fixed impacts approach of KLD Socrates Database, they find more fragile connection among CSR and monetary execution than what they have anticipated. In spite of the fact that they don't finish up there is no connection among CSR and monetary execution, their investigation demonstrated the outcome is lower than their desire.

Mulyadi and Anwar in 2011 utilizing information board model from duty and corporate administration rating of Indonesian recorded organizations appear there is no noteworthy effect of corporate social responsibility on stock's arrival (corporate money related execution/firm worth). The effect of CSR on bookkeeping execution (for instance ROA) is a long-standing yet at the same time uncertain inquiry. As per the executives writing condensed by Margolis and Walsh (2003), more than 120 examinations in the range of 1971 and 2001 looked at the experimental connection among CSR and budgetary execution, and the outcomes are to a great extent uncertain. It clarify why we have distinctive aftereffect of connection among CSR and corporate money related execution.

The negative relationship between corporate social responsibility and financial performance of the firm is also seen in many past researches. For instance, Preston (1997), used the “trade-off” hypothesis and concluded that if a firm is doing well in CSR then it will not be doing well in financial terms. The researchers who argue against CSR mainly follow the concept that when a firm gets engaged in social responsibilities, it moves away from its basic motive i.e. the maximization of the wealth (Friedman, 1970). Perrini (2011), suggested that a firm shouldn’t spend on social programs, the amount it got excessive and is going to spend on social issues should be either returned to the owners of the company or should be used to enhance the efficiency of the organization. It is due to the thinking that it’s the duty of Govt. to take care of social issues, not the firms. Firms should focus on their main theme i.e. profit generation.

Lima et al., (2011) argued that there is a negative relationship between the financial performance of the firms and CSR as corporate social responsibility doesn’t helps in increasing the wealth of the owners but it increase the cost which leads to decreased profit of the firm. In past, one of the early researchers Vance (1975) used trade-off theory to show the negative impact of corporate social responsibility of financial performance of the organization. According to him, CSR does not increased the revenue of an organization, but due to unnecessary expenses made on CSR, it decreases the profits of the firm and the money used on CSR should be used in enhancing the performance of the firm to generate more revenue. According to some researchers, CSR should be done at an optimal level to get advantage of it otherwise excessive investments on corporate social responsibility will not only increases the costs if the firm but also create a hurdle on the investments to be made on activities or assets to enhance the performance of the firm (Wang et al., 2008).

Corporate social responsibility activities are also helpful in maximizing the organizational commitment of the employee. Firms involved in CSR activities motivates its employee which are stated as internal stakeholders of the firm and this motivation leads to the organizational commitment (Brammer et al., 2007). Kim (2010) also showed that firms active in corporate social responsibility activities are performing better due to their employees' commitment and motivation they gain due to the sense of social responsibility. Thus it can be concluded that CSR helps in motivating the employees and making them more committed to the organization that helps in reducing the costs of new hiring and training and employees also perform well that leads to the better financial performance of the organization (Rhou and Ku, 2016).

With reference to theory of principle and agents also known as agency theory , there is always a clash amongst the agents' and principal's interests, agents (top management) focuses on their personal interests and tries to get more and more personal benefits from the organization's finances and less focus on what can make form perform better. In this way agents manipulate the finances especially the ones to be used on social responsibilities. Due to this cost of the firm increases on the name of social responsibility that affects the profitability of the firms and no or less work is done in this aspect that leads to a loss to the firm in two ways i.e. financial loss and repute loss. The social responsibility of a corporation is reflected as a disadvantage in the competition as it leads to increase the costs of the organization that also leads to the higher prices or less profitability, low wages to the employee (as a huge portion of the profitability is paid for CSR activities, decrease in the profit and dividend paid to the shareholders (Stavins, 2010). Desai (2009) assessed the impact of CSR and to explain the consequence of social responsibility of firm reviews for banking part of European association's and found it a reason for arriving at productive and beneficent for the firms to adopt these practices. To defeat on monetary and financial emergency European associations and different logical examination show positive results of social responsibility activeness on performance of the organizations with financial aspect. This survey included three issues of Czech financials which are among the top situations at legitimate corporate contributor diagrams. It also shows that when a firm gets more active in showing that it is socially responsible by its actions and people started building trust on it, all the investment made on the social activities will give high return as the ratio of expenses made on it.

Pakistan has been standing up to cut off financial difficulties broadly and internationally because of administration essence, common disaster, feeble organizations, degenerate regulatory practices and strategies. In this manner, the issue of tutor is there and the corporate administration isn't full grown. In spite of the fact that enterprises are profiting however their commitment for society is restricted. In Pakistan, the social part has been least engaged, contrasted with different divisions of the economy, for example, training and wellbeing, as far as venture made. What's more, because of contrast of enthusiasm between the general public and corporate division the subject of CSR has been generally unnoticed, which isn't empowering for the improvement of Pakistan. In Pakistan, the idea of CSR has been proclaimed by global partnerships, as Nestle and Unilever while, banking organizations like HBL and MCB began help with prepping ability, different gifts in wellbeing and trainings issues. A portion of the organizations are trying and contributing in ecological security. A portion of the banks are coordinating CSR with their statement of purpose, systems and goals. HBL establishment is likewise working for the general public with the point of progressing and improving the personal satisfaction of the individuals of Pakistan (MCB and HBL Sustainability Report, 2011).

Corporate social responsibility leads to the customer satisfaction for large companies especially that leads to increased market share (Lou, 2006). When a firm actively participates in social activities, its economic returns are increased due to the increased interest of investors in purchasing the share of the organization (Fombrun et al., 2000). From the above mentioned researches it can be concluded that there is an encouraging link between the financial prudence of an organization and corporate social responsibility. When a firm gains a positive and strong image in the society via actively participating in social activities in the society / country, it gains the advantage of a shield against the rumors and bad publicity when something occurs wrong (Lin et al., 2011; Fombrun et al., 2000). CSR helps in building a positive image of an organization which helps in building a trust among the customers. While purchasing the goods or taking the services of an organization this positive image helps customers in making a decision and they go for the firm having a better repute in the market (Nicolau, 2008). According to Helm (2007), when two companies are equal in financial position, the one with better repute due to social responsibility image performs better in financial crisis than the one with no or less repute. So it can be said that CSR helps in making a better brand image that ultimately results in better financial performance.

Some of the researchers have remained neutral while discussing social responsibilities and financial performance. As per their opinion, the firm has nothing to do with the social issues and neither needs it to focus on social issues nor will this help in improving financial performance. (Siegel, 2000). Freedman and Jaggi (1982), concluded with their research that making expenses on the social responsibility activities has no connection with making revenues of a firm better in fact it increases the costs of firm on useless activities. They further investigated the question deeper and involved the disclosure of pollution level and financial performance and found it neutral in nature. Recent researches have argued that this neutrality was because of the other variables that also effect the financial performance of the organizations. Due to better corporate social responsibility efforts made by the company's return on equity gets improved but this is a U-shaped relationship that means return on equity is increased but there was no impact of being socially active in welfare activities on market returns (Park and Lee, 2009).

Hillman and Keim (2010) did not found any significant linkage amongst the performance of the firms and their activeness in social welfare activities. It is argued that being socially responsible is not linked to the better performance of the firms in terms of finances (Soana, 2011). Soana (2011), studied the performance of Italian banks and found a neutral kind of link between the revenue generation and increased sales to the social welfare activities carried on by the firms. While working on Canadian firms, Roberts (2007) concluded a non-significant types of linkage between the measures of social responsibility taken by an organization and its revenue generation.

But the theory of stake holder on the other side in contrast to the previously defined theories is in the favor of CSR, as if a company satisfies its stakeholders expectations, it will gain a better image in pubic that will influence the performance positively as it (the repute in public) will attract its investors and also other stakeholders (Brammer, 2006, Weber et al., 2008), whereas if a company disappoints its stake holders it will have negative impact on its financial performance (Makni et al., 2009). Different studies got different opinions about the relationship between social responsiveness of an organization and performance of the firms. Some stated that activeness in social welfare and other social works in connected to the general repute of the firm that has direct impact on the financial performance of the firm (Chen et al., 2015), while the other says that the impact of corporate social responsibility is related to the disclosure of it. An organization should show and report all of the activities made for corporate social responsibility to all of its stake holders (McWilliams, 2006).

Theory of instrumental stakeholders proposes a positive impact of corporate social responsibility on the firms. As this theory proposes that firms take all of its stakeholders as a part of external environment that has important role in revenue generation, managing the higher profitability and the shareholders' return (Jones 1999, Berman 1999, Wicks 2000). Employees are more interested towards a firm that has a greater image in the society and organizational commitment is increased due to this factors that leads to a better organizational performance (Dutton, 1994, Heiner 2002, Turban 2000).

Customers also respond better to a firm with a strong image of social responsibility that leads to the increased prices that customers happily pay for such firm and ultimately increased revenues for the organization (Bhattacharya & Sen, 2003). Investors always play the role of backbone in an origination. A firm with strong image of social responsibility gain more investors as compared to a firm with weak image of social responsibility (Salomon 2006, Johnson 1999, Graves 1994). Many researches have also involved resourced based view theory in firm's performance by connecting it to corporate social responsibility.

According to resourced base view theory, the firms that maintains a close relationship with its stakeholders can maintain better intangible resources like human resources (Russo, 2005), better culture of organization (Hoffman and Wirtenberg, 2003), innovation (Klssen,1999), that helps in gaining a better competitive advantage to a firm. CSR helps in maintaining a better relationship in fact a close relationship with stakeholders (H. Wanget et al., 2008).

A better image and performance of social responsibility helps a firm in to secure its resources that are linked to its stakeholders (Godfery, 2005, Salomon, 2006). Many studies suggest that corporate social responsibility increases the performance of the firms (Lev, 2010, Waddock, 2010 and Tribo 2010) and some studies are against this opinion. The firms which are active in social responsibility and have created a good image among the stakeholders will survive better than the firms which don't have better image regarding CSR (Godfery, 2009, Epstein 2005).

Since last three decades, a number of studies including empirical and theoretical, have been made to understand the relationship between the corporate social responsibility and financial performance of the firms (Mroom, 2006, Pava, 1996, Preston O'Bannon, 1997, Walsh, 2003,). Arshad (2012), examined the relationship of corporate social responsibility and financial performance of the firm and reported that due to the impact of CSR on the repute of organization, there is a significant impact of corporate social responsibility on the financial performance of the organization. In one of the similar studies to this, Mallin (2014), examines the relationship of corporate social responsibility and financial performance of the Islamic banks across the different countries by taking the period of 2010 – 2011 and resulted in significant relationship.

If an organization wants to get successful it should try to fulfil the anticipations of all of its stakeholders. It should be concerned to all those relationships those cab ne helpful or harmful in attaining the organizational goals. (Freeman, 1994, Kakabadse, 2015). According to this, being socially responsible is also important, as it is also a concern of stakeholders of the firm. People do focus on the social image of the organization. They like to invest in the products of a firm which is active in social responsibility and shows that it care for the consumers and as well society (Elan and Rob, 2016). As indicated by McWilliams and Siegel (2001), social responsibilities of a firm are those activities and anticipations of the general public which is not enforced by the laws of organizations like company's act etc.

According to Graves (1997), implies the theory of good management, and stated that firm having good relationships with stake holders will have improved and better financial performance as compared to the other firms. It can be said that corporate social responsibility is an intangible asset for the firm that helps in improving the financial performance of the firm (Surroca, 2010). Good corporate social responsibility program can be helpful in generating a valuable goodwill, this will be helpful in saving a company from unexpected issue and also opens new opportunities to the company which are not available for the organization which is not socially active. (Barnett, 2006).

Another idea is also given by many researchers that a better financial position helps in managing better corporate social responsibility. That means if a company is financially strong it will go for a better corporate social responsibility activities and that will eventually results in better performance again (Wu, 2006). Many other studies like Kohers (2002) and Orlitzky et al. (2003) have also concluded a positive relationship between the organization's financial performance and CSR. Relationship between CSR and financial performance is two way i.e. better corporate social responsibility leads to better financial performance and better financial performance leads to better corporate social responsibility (Singal, 2014).

Many researches have worked on the relationship between corporate social responsibility and financial performance of the firms. Some studies found this relationship as a positive one (Mahon, 1997; Bird et al., 2007; Orlitzky, 2003), some other also found positive relationship but in some different terms like some says that companies highly involved in social responsibility perform better than others (Preston, 1997), while other says that firms who perform better actively participate and take care of social responsibilities (Graves, 1997). Both studies are showing positive relationship but in different aspects. All these mixed results have raised the concerns of researchers to know more about CSR and financial performance relationship. Relationship between corporate social responsibility and financial performance of an organization exists but it depends on the operationalization of the activities and presence of some moderators (Orlitzky et al., 2003). Researchers have suggested that the relationship between corporate social responsibility and financial performance of the firms should not be examined directly or without the presence of any other factor (Hatch, 2007).

2.2 Tax Avoidance

Tax avoidance is the use of legal methods to modify an individual's financial situation to lower the amount of income tax owed. This practice differs from tax evasion, which uses illegal methods, such as underreporting income to avoid paying taxes.

Recent studies in this area of incentive effects on tax avoidance *include Desai and Dharmapala (2006),* which examines "high-powered" incentives and tax avoidance; *Armstrong et al. (2009),* which is the first to examine compensation of tax directors; *Rego and Wilson (2009),* which examines links between top executive compensation and tax aggressiveness; and *Robinson et al. (2010),* which examines the effects on ETRs of treating the tax department as a profit center. Finally, in studies the tax sheltering is the alternative of tax avoidance.

Some implications for tax reform are provided by which the companies avoid taxes these are;

Principles of Tax Avoidance

Tax laws constantly change the opportunities for tax avoidance, but underneath, there remain three basic principles of tax avoidance within an income tax rules and regulations.

(1) **Postponement of taxes.** The present discounted value of a postponed tax is much less than that of a tax currently paid.

(2) **Tax arbitrage** across individuals facing different tax brackets (or the same individual facing different marginal tax rates at different times). This is a particularly effective

A fuller discussion of these tax avoidance principles is contained in Stiglitz, [1986], Chapter 24, "A Student's Guide to Tax Avoidance". Unless, of course, the tax liability is increased as a result of postponement. We shall note instances of this below.

(3) **Tax arbitrage across income streams facing different tax treatment;** under the current law, long term capital gains are taxed at lower rates than are other forms of income from capital. This provides an inducement to "convert" the returns to capital (or to labor) into long term capital gains. Similarly, special treatment is afforded to the return to capital in the form of housing, pensions, IRA's, etc.

Taxes are supposed to be most disliked costs that are made by the organizations. But organizations are legally bounded to pay taxes by the governments. If an origination is not paying it taxes and tries to steal the taxes major penalties are put on it legally and it also losses its fame in the market. Moreover, customers are also affected due to tax stealing. But taxes are also a heavy cost and put a major cut on profits of organizations. So organizations try to avoid taxes in a legal way. For this different kinds of tools are used by the organizations like using debts as a tax shield etc. Tax avoidance is an important strategy adopted by the firms to reduce their costs (Cai and Lu, 2009; Hanlon, 2010). Usually it is taken as an activity that transfers wealth to the shareholders by taking it from government, so it should increase the firm's performance. Tax payment is always remained of key importance for the firms. Tax avoidance can be defined in a broader aspect that a range of strategies to plan tax activities with perfectly legal protection at one end while including some aggressive decisions at other end (Hanlon and Heitzman, 2010).

Paying the taxes are always taken as a burden by the organizations as it decreased the profit earned and also an increase in the cost. Current study has also admired the importance of tax avoidance to avoid the excessive burden of the tax payments and tried to make it more easu to understand that how the tax avoidance should be adopted by the firms to take its advantage in-spite of making it a burden on the firm.

Different people from different disciplines have different opinions like people from finance takes debts as tax shield and suggest to use it as one of the tax avoidance measures (Cooper, 2006; Kemsley and Nissim, 2002), economists do not focus on the importance of cost reduction but on the risk of reputation loss due to tax avoidance (Hanlon, 2009) and agency theory focus on the risk of conflicts of interests leading to the manipulation by the managers (Desai and Dharmapala, 2009). Tax planning reduces the burden of tax payments via tax avoidance that affects the firm's performance significantly (Maydew, 2008). Tax avoidance is helpful but it cannot be taken as costless activity for the organizations. Some of the direct costs that a company can pay for tax avoidance are reputational loss, penalties imposed by court and other revenue departments and also the implementation cost. This study tries to find out the relationship between the financial performance of the firms and tax avoidance along with two other independent variables.

Tax avoidance can be explained as the activity to shrink the burden of payments imposed on a firm due to taxation being remaining legal while reducing the taxes (Hanlon, 2010; Dyreng, 2008). Using a successful tax avoidance methodology, a firm can transfer its income to the shareholders by taking it from government (Chen et al., 2016). The firms which are paying less amount in respect of taxes are assumed to be better ones among the other firms of stock market in controlling their costs (Sewnson, 1999). A firm can show better cash flows by using a well-organized tax avoidance which will be helpful in boosting the earnings after-tax. The higher income after tax will be shown in financial reports of the organization that will attract more investments by showing more returns on equity and other higher incomes (Chen et al., 2016).

Tax avoidance is used to increase the wealth of owners of the company in a way that will increase the returns expected dividends in future. It is positively associated with the firm's value and increase in the firm's value results in better financial performance (Wilson, 2009). When the costs of a firm are decreased, it got more to invest on such activities that will help a firm in performing better in its financial operations (Desai, 2009). Tax avoidance is a set of activities that are tax reducing by nature including making investments via tax advantaged instruments like tax exempt bonds etc. taking steps towards such activities that may not be sustained if questioned by law like tax shelters etc. (Dyreng and Maydew, 2014). But previous studies have also shown that the organizations should not get greedy in saving taxes and they should try to avoid the ways of saving taxes that may leads to the loss instead of giving those benefits.

Some tax avoidance activities have a long rum impact on the cost reduction that can be stated as permanent tax saving investments (tax benefits of stock option, investment in government bonds, low tax rated investments) and some leads to temporary reduction benefits that reduces the tax payments for the current time but leads to higher tax payments in the future. There are some risks that are associated with the tax avoidance like crash of stock prices is risk that was identified by Zhang (2010), else the news in the market about a firm's tax theft that effects the investors and other stakeholders (Hanlon, 2009).

A firm should not get aggressive in tax avoidance. When a firm makes aggressive decisions regarding tax avoidance it exposes the firm to the future risks like penalties from the tax departments, cases in the court extra payments like fines if it remains failed to cover its actions (Key, 2008). Some researchers are not in the favor of tax avoidance even if it increases the revenues and wealth of the shareholders. (Desai, 2002; Hines, 2002).

Tax is supposed to have impact on firm's level as well as society's level. If a firm in involved in the activities to do tax avoidance then it is supposed to be acting as socially irresponsible and it can affect the stakeholders either internal or external (Erle, 2008). By adopting he activities that are involved in tax avoidance, a firm gets successful in reducing its tax payments then it is using the amount that government should have spent on general public welfare (Sikka, 2010). Tax avoidance is also taken as the transferring on interest from government to the individual level those who are the owners of the firms.

Hanlon and Heitzman (2010) defined tax avoidance as the decrease in the tax liabilities of a firm. Tax avoidance is planning such activates that legally reduces the burden of tax and also the illegal ways of tax evasion (Hanlon and Heitzman, 2010). Tax avoidance is a tool used by the corporates to maximize the wealth of owners (shareholders) by adopting legal means (Chen et al., 2016). Although due to conflict of interests of agents and principals (agency theory), tax avoidance can be used a shelter by the managers (agents) to hide the manipulations they made in finances of the organizations (Desai, 2009; Zingales, 2007). Thus the dual effect of taxation is possible due to its complex nature that means at one side when costs are reduced due to tax avoidance at another end the costs can be increase due the manipulations made by the agents.

In most of the cases the investors of a firm relay on the financial statements and they came to know about the tax avoidance methods explained in the notes of annual or other financial reports only (Rajgopal and Hevlin, 2004). Investors do not try to know deeply about the tax avoidance activities adopted by the firms else the ones described in the financial reports (Khale and Shastari, 2005). This means managers can take advantage of tax avoidance to get personal benefits and it will increase the costs under the shelter of tax avoidance.

Shareholders should be made well aware of tax avoidance. In case shareholders are not well aware of tax avoidance and the benefits of it, then the company which id adopting such activities can face the problems like reduction in firm’s value (Minton, 2015). Researches made on tax avoidance have given a mixture of findings. Like while working on the relationship of tax avoidance and value of the firms, Desai and Dharmapala (2009) conclude in non-significant relationship between the above two except in the firms where shareholders were dominant. It means the corporates where shareholders have the ability to control the mangers (agents) can take advantage of tax avoidance. Tax avoidance can affect the value of firm adversely (Hu, Wang and Chen, 2014). The control of firms over information transparency can be helpful in taking the advantage of tax avoidance (Tang, 2014).

Income tax expense is taken as indicator of a firm’s financial performance and its profitability. Some researchers have argued that due to tax avoidance information transparency of income level is affected (Ayers et al., 2009; Hanlon 2005). The ability of shareholders and stakeholders to have information about the firm regarding financial operations and activities and other decisions is known as information transparency and it can be helpful in reducing conflicts of interests between agents and the principals (Armstrong et al., 2010).

Current study has also explained that tax avoidance never asks for hiding the information. The stakeholders should be reported in an understandable way about the decisions taken by the managers for tax avoidance. Some researchers have concluded that a firm’s performance can be made better with the help information transparency, same is the case with tax avoidance activities (Bushman and Smith, 2003). All the more as of late, driving annuity supports constrained organizations to give more data about their tax dangers, including tax evasion exercises. Schlank (2011) identifies a few key concerns distinguished in these institutional investor recommendations. In the first place, organizations depending on tax evasion are dependent upon more serious hazard if governments change open strategy as a reaction to the assessment shirking exercises. Second, tax evasion can deceive financial specialists and can bring about securities exchange misfortunes for its investors. For instance, Kim et al. (2011) contend that corporate duty evasion exercises help supervisors secluded from everything awful news. Steady with this contention, they discover a relationship between corporate duty evasion and ensuing decrease in the stock costs of organizations that occupied with more expense shirking. Third, charge shirking can profit chiefs to the detriment of the investors by empowering supervisors to meet the benchmarks for their rewards, despite the fact that the questions with charge specialists might be settled in consequent years.

The above mentioned studies were mostly based on the researches made on the corporates of developed countries where the transparency of information is maintained for shareholders. However, in Asian countries there is a lack of information transparency that is well used by the mangers who are involved in manipulation of finances of the company (Wahab and Holland, 2012; Claessens and Fan, 2002).Companies are operating under low transparency of information or it can be referred as poor transparency in Asia (Zhang, 2015). Income tax speaks to a noteworthy cost and money outpouring for most firms. In this way, with an end goal to increment after-charge profit per share, yet in addition money accessible for investors, firms may invest noteworthy measures of time, vitality, and cash to diminish their taxation rate through assessment shirking rehearses (Chen et al. 2010). In principle, a dollar spared through duty evasion exercises is a quick additional dollar accessible for the firm and its investors in the present time frame. Regardless of the age of additional money, tax shirking practices may not expand firm worth in light of non-charge office costs that can go with charge protecting. For instance, charge evasion can give a shield to administrative advantage and lease extraction (Mills 1998; Desai and Dharmapala 2008). Exact examinations on the investor riches ramifications of corporate duty shirking give blended proof. For instance, Hanlon and Slemrod (2009) report a little, yet noteworthy, stock value decay encompassing updates on tax cover association. Wilson (2009) finds that well-administered firms with charge covers experience altogether positive strange stock returns in the periods previously, during, and after the expense cover action. Be that as it may, ineffectively represented firms with tax covers experience altogether lower irregular stock returns over similar timeframes. These discoveries recommend that not all investors need chiefs to take part in generous expense shirking exercises. That is, the motivating force to energize charge evasion and assessment protecting exercises may fluctuate crosswise over various gatherings of investors, incorporating institutional investors with different venture skylines.

Wang and Zhang (2009) stated that if a firm has good level of information transparency it can take full advantage of tax avoidance. Tax systems of Asian countries are developed much later as compared to the developed European countries and is has many loopholes which help agents (managers) to manipulate under the shelter of tax avoidance (Wong, 2015). So due to such reasons the relationship between tax avoidance and firms value and performance is also taken as negative by the researchers. While tax avoidance tries to transfer money to the shareholders saved from government, the conflicts of interests of agents (managers) also increases that leads to a minus to the firm due to tax avoidance.

Literature from the past has shown that a firm with better profits performs better in all aspects that maximizes the wealth of the shareholders (Weeks, 1987). The wealth of shareholders in directly associated with the profitability of the firm (Goaied, 2002). If a firm is good a profitability and maintains a good record of it, then the firm’s value and taxation of profits paid to the shareholders are positively associated (Fama and French, 1998). A firm that controls it costs in a better way; performs better (Maxwell, 2012). Tax speaks to a key factor in numerous corporate choices. Administrative activities planned only to lessen corporate taxes by method for tax evasion exercises are turning into an undeniably regular element of the corporate scene everywhere throughout the world. Thus, the issue of firms paying a considerable amount of corporate tax from a national point of view is, as Andreoni et al. (1998, p. 818) express: "an issue as old as duties themselves … and is in this way of clear significance to countries around the globe." Where a firm embraces tax evasion exercises, this conduct could negatively affect society. For this situation, the firm is by and large regarded not to be paying "a lot" of corporate annual tax to the legislature to guarantee the financing of open products, hence creating a huge and possibly irretrievable misfortune to society in general

This deficit in corporate expense income much of the time produces antagonistic vibe, reputational harm for a firm with different partners, and best case scenario, could even bring about the suspension of a company's business activities (Hartnett 2008). Moreover, an association's choices about the lengths to which it is set up to go to decrease its duty obligation are authentically impacted by its frame of mind to CSR, just as by contemplations of lawfulness and increasingly key moral inquiries (Desai and Dharmapala 2006; Avi-Yonah 2008). Williams (2007) shows that the hugest clash which emerges in applying CSR standards to corporate expense are those territories where a firm can lessen its expense obligation through assessment shirking and duty arranging.

From the above mentioned researches, it can be concluded that increased profitability is important to increase the wealth of shareholders as well as the value of firms. Profitability can be increased by performing well but as well as managing costs at best to reduce them. Tax avoidance is one the best ways to reduce the costs of the firms to maximize its profits (Chen and Wang, 2014).

Some previous studies shows that tax avoidance is also a part of other tax favored activities like using the debt for investments, showing higher rate of interests to be paid to debtors than the return on incomes (Graham and Trucker, 2006). Tax avoidance activities provide a shelter to the managers and expedites the activities of financial manipulation under the shelter of tax avoidance (Zingales, 2007; Desai, 2006). Tax avoidance can also cost companies loss due to the factor of agency theory and the actual costs of tax avoidance shield used by managers can overcome the advantages of tax avoidance to the shareholders (Dyck, 2007). Taking the perspective that a firm is a "genuine world" substance with cultural commitments, and that the installment of corporate duty decidedly influences society, the CSR commitment is that a firm should pay a lot of expense legally gathered by governments in whichever nation it is working. Along these lines, a firm may reserve the option to limit charge inside the actual intent of the law, yet it would be viewed as ill-conceived to connect intentionally in vital duty conduct planned exclusively to limit its corporate assessments (Avi-Yonah 2008).

Apple was one of the main innovation firms on the planet to assign abroad sales reps in high-charge nations so that enabled them to sell in the interest of low-charge auxiliaries on different landmasses, keeping away from the installment of corporate duties. Tax avoidance is though considered to be one of the best and effective tools to reduce the cost and burden of tax payments which cut off a significant part of income of the organization, but tax avoidance also exposes firms to some risk. CEOs of the firm take risky decisions while trying to make a reduction in taxes (Katz and Rego 2013). Blouin (2014), concluded that tax avoidance leads to some decisions that may get challenged by tax authorities this thing leads to an uncertainty of future tax payments as if tax avoidance strategies got challenged and firm fails to uphold them then the payment of tax amounts will be increased at once.

By doing tax favored investments that are legally allowed by the government and those cannot be challenged in the court too, a company can save its costs and reduce tax payments legally to maximize the wealth of shareholders (Dyreng, 2014). By taking such actions that are legal, company can avoid the risk of uncertainty of tax payments for future and remains fearless of challenges from revenue departments via court etc. Dyreng (2014), defined a "grey-area tax avoidance", that means a company can have to repay the tax amount that it saved from the "grey-area tax avoidance" and it will lead to a high increase in tax payments at once. An elective view proposes that tax evasion exercises can make a shield for administrative advantage and preoccupation of rents.1 For instance, Desai and Dharmapala (2009a) recommend that detailed assessment arranging plans make the corporate structure of the firm so murky that it gets unimaginable for even thde long haul investors to assess the supervisors' presentation. Utilizing Enron for instance, they note that unpredictable expense shirking systems encourage exchanges with related gatherings, enabling administrators to occupy rents from the investors. All the more as of late, Kim et al. (2011) locate that corporate assessment shirking encourages the accumulating of terrible news for an all-encompassing period, which expands the likelihood of future stock value crashes. Given that every one of the advantages of duty shirking may not gather to the firm, from the earlier, it is indistinct what impact investors apply on charge evasion. Desai and Dharmapala (2009b) guess that the universally useful business exchanges attempted by Enron to create money related bookkeeping salary may have profited those Enron investors who sold their stock when the stock value was falsely expanded because of higher after-charge incomes. Narratively, there is a pressure among institutional investor finance chiefs regarding the moves they should make when a firm takes part in harsh expense covers. A board discourse facilitated by the Conference Board in New York (Stock 2003) shows this point

A firm can take advantage of tax avoidance by making a better strategy related to tax reduction. If a firm achieves tax avoidance by cutting of or managing low tax payments in spite of huge ones it can easily enjoy reduction in costs without any risk (Brown and Martin, 2011). It means the method of tax reduction adopted by a firm should be managed to be risk free otherwise it can lead to many costs like bad repute, decrease in interests of investors.

2.3 Research and Development (R & D) Outlay

The impact of research and development investment on the financial performance has been studied widely in the literature. But it highlights a mixed results. But the critical importance of R & D with reference to the performance cannot be neglected. A company can enjoy high profits and other benefits once it makes a good investment on research and development and market the innovation at a bigger scale (Das et al., 2009). In the modern era, there is no doubt that economic development has been transferred from resource based point of view to innovation based strategy that helps a firm in getting edge of competitive advantage and better economic benefits (Zheng et al., 2016).

Research and development can be done for product innovation, human resource development, goodwill, patents and costs of firm (Lev and Zarovin, 1999; Barth et al., 1998; Shi, 2003 and Hall et al., 2005). Investment made on research and development creates and intangible asset for the firm. Literature show that intangible assets increase the performance of the firm and increase value of the firm. R & D can also be made on patents. Companies took patents and copyrights as intellectual property and history shows that these can be used as weapon in the race competition as well as a powerful source of earnings (Germeadd, 2010 and Taghaboni 2009).

Academic and business, both sides have always remained interested in knowing the impact of research and development on the corporate's performance. Economic studies indicates that stakeholders always showed interest in research and development as they take it as an investment with high return in the future. This study will also be helpful for business community to explore the impact of research and development in a developing country. Some of the researchers have analyzed and showed that R & D directly have positive impact on the performance of a firm (Duqi and Torluccio, 2010; Toivanen, 2002; Pindado, 2010) while others have shown that some market changes are associated with R & D that indirectly affects the performance of the firm (Eberhart et al., 2004; Chan at el., 2001). The capacity of firms to create and misuse their imaginative abilities is generally perceived as a basic determinant of firm execution and competitive advantage (BHelfat and Peteraf, 2003). A company's capacity to create a persistent stream of advancements might be a higher priority than at any other time in enabling a firm to create or keep up upper hand due to the expanding levels of rivalry and diminishing item life cycles. In a domain whereby rivalry is extraordinary, the benefits produced by any one advancement might be short lived (Greenhalgh and Longland, 2005). Alternately, a moderately quick stream of numerous developments after some time may empower the firm to keep on producing elevated levels of gainfulness. Thus, compelling administration of the development procedure keeps on being a central worry for administrators and business scientists (Bogner and Bansal, 2007).

Research and development sometimes gets fail. Due to this failure the future earrings are affected. The benefits of R & D are supposed to be uncertain as there is always a risk of failure. Padit et al., (2009) analyzed that the relationship between uncertainty future earnings and R & D expenses is positive. Kothari et al., (2002) also argued that the risk of uncertainty prevails with research and development. As with the advantage of getting an edge in competition and chances of boosted earnings there is a risk of failure in achieving new innovations and may be the new innovation may also get failed. The same findings were concluded by Amir et al., (2007) arguing that instability of the future outcomes and earnings are directly associated with R & D. A firm should remain very careful while taking the decisions about research and development. It should properly work on it and find the right direction for research and development. It the wrong direction is chosen all the investment made on research and development will simply lead to a loss and it will be considered are a major burden on the firm that will decrease the profits as well as the interest of investors. So a firm should be very clear about the research and development that for which purpose it is going to do it and what are expected outcomes of this. Otherwise it will not be fruitful for the organization.

Some researchers have found positive impact of research and development on performance of a firm significantly (Xie and Tang 2011; Wu, 2013 and Chen, 2013) and some found a negative relationship between the above two (Lu and Wang, 2011 and Xu Min, 2013). Hsieh et al., (2003), showed that there is positive relationship between a firm’s performance and intensity of research and development adopted by the firm. Some researchers have also argued that growth of firm in not due to R & D made in the period but due to other factors also like Megna and Mueller (1990). It was also examined and concluded in the same research that in comparison of investment on tangible assets, investments made on R & D earned two times more. Market competition has increased to a high level in a couple of last decades. Research and development takes time to show its results. Due to this lag, some authors are not in the favor of making high investments on R & D as they argue that it increases the costs for the current time and effects other operations of the firms.

Firms have to keep on making innovations to sustain their position in the market and getting competitive advantage. These innovation can be in customer services, operations, products, financial polices etc. Research and development (R & D) strategies are of key importance in a firm's performance. It helps firms in improving their profitability (Kendal W. Artz et al., 2010). One dollar investment made on R & D will return two times of it within seven years period of time (Sougiannis, 1994). If a firms keeps itself on the old techniques and products it will become difficult for it to survive. People now a days wants more and more developments in the products and services. Everyday new innovations are made that is due to the demand of the people that require more comfort and more advanced products for their money. Firms keeps on improving their services and products. If the products or competitors are providing better comfort and value to the money of the people they will go for it. It also shows that returns of R & D lags and sometimes even lag for longer time. For the organizations, it is normal that the formation of information will impact the advancement of the firm as far as deals development, gainfulness or work creation. Along these lines, a positive connection between R & D venture and an association's development would be normal. Be that as it may, 'there are numerous reasons why it is difficult to discover such a relationship observational. While a few creators expect that R & D fundamentally sway firms' development emphatically, others locate no noteworthy outcomes between the two factors (for example Sundaram et al., 1996). Along these lines, we see in the writing unique discoveries and sentiments on the connection among R & D and firm development relying upon the business, the nation, or the timeframe under investigation. For instance, numerous creators have considered the connection among R & D and development in innovative businesses. Given the more prominent information power introduced by these areas in examination with non-innovative or medium-tech parts, it is sensible to expect solid relationships between's R & D (information creation) and firm development. In accordance with these contentions, Zantout and Tsetsekos (1994) locate a progressive reaction of market to expanded R & D venture for the firm which are tangled in innovations, while this ends up being negative for the organizations were the role of technology is quite low (Yu et al., 2010). Coad and Rao (2008) likewise study the impacts of development on firm development in cutting edge segments (counting PCs and office gear, gadgets, restorative instruments, and medications); their outcomes fluctuate inside the various divisions investigated, yet they by and large find that development is identified with inventiveness for most firms. Every one of these creators bring up that quite a while longer is expected to change over increments in significant information into monetary execution in a firm, featuring the slack between times of revelation and commercialization, just as the natural hazard and vulnerability that the exploration procedure involves. Davidsson and Wiklund (2000) and Weinzimmer et al. (1998) feature the need of giving a multi-period information line for relapse so as to verify results and stay away from holes between times of examination. Liu et al. (1999) and Yang and Huang (2005) give experimental help to these contentions when they find that R & D interest in the Taiwanese electronics industry has positively affected work development for the most part in the long haul, while momentary impacts are seen as essentially less significant. Therefore, the timeframe under survey is particularly pertinent in the investigation of R & D venture and development. We can likewise discover these sorts of concentrates in different enterprises and nations. For instance, Mansfield's (1962) study completing an investigation concentrated on the steel and oil businesses reports a quicker deal development in imaginative firms or Hall's (1987) investigation of the impact of R & D on the development and endurance pace of assembling in the U.S. demonstrating a constructive outcome. This beneficial outcome of advancement on firms' development is additionally found in an example of Italian assembling firms by Del Monte and Papagni (2003); their outcomes demonstrate the effect to be more noteworthy in conventional firms than in innovation-based firms. Geroski and Machin (2006) present comparative outcomes for inventive huge UK firms. In Japan, Yasuda (2005) finds a critical impact of R & D on development utilizing an example of assembling firms; Scherer (1965) finds a positive relationship for the biggest companies in the U.S.

The theory of technological innovation given by Schumpeter (2012) proposed that innovation is started at research and ends in the market (in shape on final product). Expenses made by a firm on R & D leads to a competitive advantage in the race of severe competition and increase in profitability of the firm (Zheng et al., 2016). Research and development in not an instant and one time process it is a continuous process and its effects are less possible to have an impact of R & D in the same period when investments are made on it (Wei, 2003).

Liu and Jing (2012) proposed that the effects of research and development can take up to three years to show significant improvements as well as Zhu (2013) found this time period up to two years. The time period of results of research and development also varies from industry to industry. In case of pharmaceutical industry the results of research and development can be gained in time period of one year or less. If a firm gets success in making a drug that is not available in the market it can earn a high profit in a very short period of time (Zheng et al., 2016). Hall (1993) said that due to uncertainty of results of R & D a firm may fail in getting returns within a specific period of time. This can make investor less interested for making more investment of R & D.

A firm's continuity in taking innovations to build its capabilities is of key importance regarding its performance and competitive advantage (Voss, 1994; Halfat and Peteraf, 2003). In intense competition, innovation is for the firms to sustain their profitability at high level (Greenhalgh, 2005). A firm can achieve high profitability by making multiple innovations. Research and development helps a firm in taking innovative steps and improving its performance in all aspects (Bogner and Bansal, 2007). This study investigates the impact of research and development on the performance of firms in Pakistan's market along with the impact of CSR and tax avoidance.

Research and development in important for both inventions and innovations. There is a difference between invention and innovation (Grant, 2008). Invention is defined as the process of using new and existing knowledge in making of a new product while innovation is the process of commercializing the inventions by marketing and producing them in a new way. (Grant, 2008). Expenses made of research and development are important for both. The ability of a firm to commit investments for research and development enables it to use the existing knowledge, understand it and do innovations to perform better in competition (Penner and Haver, 2005). The expenditures made by a firm on research and development must be taken as investment that will add on new knowledge to the firm's existing knowledge (Hausman, 1986). As the discussion on R & D speculation firm worth affiliation seethes on there are many other researchers that have discovered negative results of the investments on making the innovations in products and services. Lobby (1993) finds that the securities exchange valuation of R & D capital in US producing firms crumbled abruptly between the periods 1979–1983 and 1986–1991. The creator further shows the normal pace of income from resources by R & D venture was one quarter that of non-R & D investment. Erickson and Jacobson (1992) discovered that neither R & D nor publicizing consumptions increment the market estimation of the firm more than different kinds of speculations and uses. The creators proved their case by expressing that the positive connection between R & D uses and securities exchange execution announced in past research mirrors the joint impact of firm gainfulness on stock execution and the degree of optional spending.

The trouble in creating an association among the R & D speculation and firm worth keeps on drawing a lot of intrigue. Osawa and Yamasaki (2005) laid out the factors that restrain the connection between R & D speculation and firm worth. These are having no authoritative way to gauge R & D results, time slack between beginning R & D venture and the development of results, and finally, suitable lists not being embraced in light of the nonattendance of settled ideas in regard to future task procedures, in this way undermining the inescapability of any estimation of R & D execution. Therefore, it turns out to be progressively hard to precisely measure the absolute impacts of combined interests in R & D as the time slack protracts. When in doubt, firms that put vigorously in R & D are bound to be productive and fruitful. The mechanical association writing recommends that R & D force is a significant determinant of firm gainfulness and, as indicated by Hay and Morris (1979), high interest in R & D is commonly a high hazard exceptional yield methodology that is alluring to investors fully expecting better money related execution. The above dialog recommends that the attention on R & D may build a company's imaginative capacity and thusly, may improve the capacity of the firm to harvest better execution in the commercial center.

Research and development is helpful for a firm in transforming knowledge from public to firm that can be used for innovations in new products and services. K W. Artz et al. (2010) found a positive relationship between a firm’s performance and expenses made on research and development. Investment made on research and development improves a firm’s ability for making innovations and show a rapid increase in its productivity (Cardinal and Hatfield, 2000).

A strong relationship has been found between the expenses research and development and outcomes of a firm by (Ahuja and Katila, 2001).

Growth is important for every firm. Life of a firm in dependent on its growth. A firm has keep on a rapid growth to survive in the tough competition. As Greoski (1995) said that it is easy to enter in a market but is quite tough to survive. To face a market's condition better, growth is of key importance (Pango and Schivardi, 2003). Research and development is one of the important factors related to a firm's growth (Delemar, 2003). In previously made researches the influence of research and development has been studied by different authors claiming that the investment made on innovations by the organizations to develop new products claimed that innovations made influences the revenue generation of the (Coad and Rao, 2008; Le Bas et al., 2011, Bottazzi, 2011) but they added the effect of firmsize and some other dummies. This research is based on a whole sector of economy and size is not made based for the research.

Creation of knowledge influences the development of a firm that leads to an expectation of relationship between growth of a firm and R & D (Geroski, 2005; Woolridge, 1988). Some authors (like Bottazzi et al., 2001; Sundaram, 1996) did not found any significant relationship between the performance of a firm and research and development expenses. This study will also help in understanding the relationship between the above mentioned. Previously, some authors like Chen et al., (1990) and Zantout (1994) found both negative and positive relationship between research and development and performance of a firm while arguing that other factor like being a high tech company or non-high tech also matters for analyzing the impact of research and development. For most of the firms, innovation do matter for the growth (Coad and Rao, 2008).

Many firms take the research and development as a luxury expense. At the time of financial crisis many firms try to cut down the expenses of research and development by putting them down in the wait of better conditions and others take research and development as a way out and growth in the crisis (Jana, 2009; Razeghi, 2011; Hird, 2010). To enhance the financial performance of the firm by increasing the existing knowledge it take a long period of time. In researching the impact of R & D interest in assembling versus non-assembling, Chauvin and Hirschey (1993) report that in excess of 50 percent of variety in showcase worth can be credited to varieties in income, development, piece of the pie, promoting, and R & D uses. Assembling and non-fabricating firms pick diverse blends of R & D venture and various methodologies in view of the distinctions in their relative direction. Assembling firms produce substantial items that are discernable and compatible. The biggest gathering under non-producing firms, beside government organizations, is administration firms. Administration firms are those that participate in immaterial, frequently short-lived, administration conveyance. Ho et al. (2005) locate that escalated interest in R & D contributes decidedly to 1-year stock execution for assembling firms however not for non-producing. Nonetheless, when tried for 3-year securities exchange execution, the creators find uncertain outcomes. In both of these investigations, the accentuation was put on non-producing firms which incorporate assistance and not-revenue driven associations. We test the proof that assembling firms receive a more R & D-escalated system than administration firms in augmenting their fairly estimated worth. The market estimation of stock is commonly considered to mirror the estimation of an association's basic resources. Data on R & D speculation seems to assist financial specialists with shaping suitable desires concerning the size and fluctuation of future incomes (Chauvin and Hirschey, 1993). In any case, a few analysts have gathered clashing proof in regards to the connection between (R & D) spending and firm execution. Gollotto and Kim (2003) found that dot.com organizations with high R & D consumptions will in general have higher financial exchange esteems in ensuing years. Johnson and Pazderka (1993) landed at a comparative end with Canadian firms. Morbey (1988) utilized connection investigation to set up a solid relationship between R & D consumptions and resulting development in deals. In any case, he watches an edge R & D financing level must be accomplished all together for R & D speculation to add to future deals development. Wagner (1984) inferred that organizations that reliably put intensely in R & D, just as in promoting, have a superior than-normal possibility of improving rate of profitability (ROI). In this way, surveying the market impact of R & D venture has become a high need, zone just as a test, for the two scientists and firms. Simultaneously, because of advances in observational research, the connection among R & D and development has produced comparable discussions.

All the above mentioned authors are agreed to this point. Yang and Haung (2005), while studding the impact of research and development on the growth on electronic industry in Taiwan concluded that the impact of research and development in the long term was more significant than the short time period. This study also taken a time period of five years to study the impact of research and development on the performance of the firms. The positive impact of research and development has also been concluded by Del Monte (2003) while investigating it on manufacturing firms of Italy and by Geroski and Machin (2006) while working on UK based firms.

Research and development id profitable for the firms even if it fails and leads to expenses (Jaun V. Gracia and M. Elan 2012). The academic researches made on research and development has proved that it plays an important in the growth of firm. A firm can grow economically while using a better strategy of R & D and committing funds to it (Arnold 2006; Bowns et al., 2003). Researchers have argued that expenses made on R & D should not be taken as extra and cost increasing for a firm as it helps in growing and enhances the profits. Research and development is useful in creating an intangible asset for a firm in the shape knowledge (Cannolly and Hirschey, 2005).

Sometimes the ability of a firm to spend on research and development depends on the financial environment of the market. In market where debts are easily available firm are likely to spend more on R & D as it does not put much burden on the firms to invest on it. Booth et al., (2006) found that in a market where equity financing is available easily the spending on research and development will be greater.

As previously discussed, research and development expenses leads to the intangible assets. These intangible assets helps a firm in making financial outcomes and market share better. As Rivette and Klien (2008) proposed that intellectual property that firm holds and its intangible assets have a potential to improve the earnings of a firm along with better financial performance. Due to the acknowledgment of the role of research and development by the market factors the investors most likely have no reservations for these expense as they take these as investment with expected returns (Garcia-Garcia and Magdaleno, 2010). Duqui et al., (2011), found a positive link between research and development investments and future earnings of the firms. But in this research was based on the size of firm and book to market ratio. In spite of the fact that it is commonly perceived that new items and administrations are vital in focused achievement, it is claimed that supervisors are hazard unwilling and support momentary income and they perhaps keep away from R & D for the accompanying reasons. Current study has not taken the firm size as an independent variable one of the reasons is that most of the firms which are registered with PSE are more or less of similar size.

In the first place, elusive speculations have a more noteworthy likelihood of disappointment than unmistakable ventures. Research and development, a long haul development venture, may include an innovative and focused hazard—a mechanical crack ruthlessly makes out of date the revelation, and its disclosure perhaps not become a market standard. Then again, contrasted with comes back from unmistakable speculations, those of R & D and development ventures are increasingly remote in time. What is great over the long haul isn't in every case great in the short.

Another trademark R & D use is irreversibility, that is, if a firm stops a R & D venture, it can't recoup all the cash contributed, in light of the fact that for the most part these speculations are halfway explicit to the firm and can't be sold at their procurement cost. Third, the overflows identifying with procedures of explicit R & D make it feasible for contenders to pick up intensity at a lower cost, the impersonation of the procedures. It is discovered that the yield of R & D action has open great attributes; its outcomes can't be completely appropriated by the designer.

Company's aggressiveness is an element of the association's substantial and impalpable stocks. These days, business conditions are coming into a domain which D'Aveni named "hyper-rivalry", firms should constantly create themselves in new ways which depend on fast innovation and information creation, obtaining, dispersion and use to keep a reasonable upper hand; elusive capital stocks are overriding substantial capital stocks to be at the center of business technique for firms, which are subject to company's R & D speculation. The key focused achievement factor is the capacity to continually grow new items, procedures or administrations furnishing the client with expanded usefulness and execution. A company's R & D venture assumes a crucial job in the association's development exercises. Imaginative action is hazardous, however its effective result presents imposing business model power on the trail blazer successful R & D can make new items and administrations, improve the nature of the items as well as administrations, which may fill in as hindrances to section, elusive capital stocks, or market request factors that carry positive qualities to a company's exhibition and future development openings.

Another yield of R & D exercises is new information and data. In the rising learning economy, which isn't just associated with the progression of items from the "supply of information", yet additionally the age of new information, especially through R & D and advancement the capacity to produce, learn and share thoughts and information has been considered, from a vital point of view, as a basic wellspring of competitive advantage.

Some studies that contributed in the literature were quite expensive and at larger scale. For example, Chen at el. (2015) took a sample size of 4254 companies from Taiwan to investigate the relationship between R & D and performance of the firms and found it positive. The results concluded from this study showed a strong and positive relationship between research and development investment and financial performance of the firms. Another research carried out by Liu (1998) on the chemical industry and industry of allied products of S&P (500) companies showed a positive relationship between the above mentioned two. Current research also has taken R&D as an important factor for the firms to have a competitive advantage and survive in the competition.

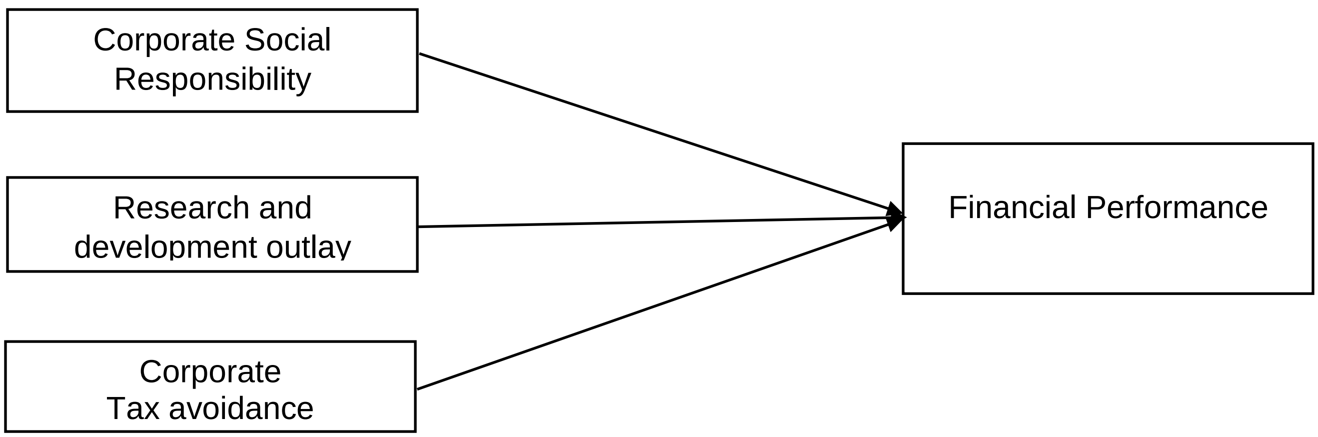
Research and development has also a strong impact on gross margins of a firm. Dave et al., (2013) showed that financial stability of a firm in strongly affected by gross margins which are heavily dependent on research and development. The same study also discussed that due to lag of time in the research and development investment and its outcomes it becomes difficult to explore the impact of R & D. Initially when R & D is done it decreases the net income of the firm for the current period but its later impact are quite favorable (Das et al., 2009).

Chapter 3 Theoretical Framework

Under the stakeholder theory, there are three dimensions for the determinants of social responsibility disclosures: stakeholder power, strategic posture, and past and current economic performance (Roberts, 1992). On the other hand, a positive model for the determinants of social disclosures under the positive accounting theory comprises social performance, economic performance, political visibility, and contracting and monitoring costs (Belkaoui & Karpik, 1989).Although these two theories were derived based on different fundamental assumptions, there are some similarities in the determinants. The determinants involve three themes: shareholder power, corporate visibility, and economic performance (Reverte, 2009). Rather than seeing them as competing perspectives, the current study considered them comprehensively to explain how firms decide to disclose different kinds of CSR information to the public. The three dimensions of determinants were tested. Stakeholder Power, Stakeholder power includes the influences from owners, creditors, and regulators (Roberts, 1992; Walls, Berrone, & Phan, 2012). Walls et al. (2012) found a relationship between institutional shareholders and CSR activities.

According to (Jensen and Mackling, 1976) if the firms are going for tax avoidance then actually firms are mitigating cost of tax burden thus they are shifting the benefit from government to shareholders thus developing a strong agency relationship as well.

3.1 Framework



3.2 Hypothesis

H1: *Corporate social responsibility has a significant impact on the financial performance of the firm.*

H2: *Research and development outlay has a significant impact on the financial performance of the firm.*

H3: *Tax avoidance has a significant impact on the financial performance of the firm.*

Chapter 4 Methodology

The main purpose of this empirical study is to investigate firm's performance of companies in Pakistan stock exchange, the study uses the panel data which is the combination of cross section and time series data. Panel data is further divided into two types which are: balanced an unbalanced data. The unbalanced panel data is the one in which observations are missing, while in the case of balanced data the observations are not missing and as well these are balanced. So, the study uses the unbalanced panel data of 59 companies listed in the Pakistan Stock Exchange. The above model is based on the method of Least Square regression (LS&AR) model in which the firm's performance (FP) is taken as a dependent variable. The independent variables are tax avoidance (TA), customer social responsibility reporting (CSR) and research and development outlay (RD).

4.1 Advantages of panel Data

Panel data is the combination of cross section data and time series data. The advantages of panel data are as follow:

- The data contains both time series and cross section, so that is the reason for getting best estimated results as different cross section units and different time periods.
- The selection of different cross sections like companies listed in stock exchange with different time periods gives the large sample size and due to larger sample size the results are best as compared to the results of cross section and time series data.
- There is an ease of omission of variables in the panel data irrespective of time series data and cross section data which makes the results unbiased.

4.2 Disadvantages of panel Data

Here are some disadvantages of panel data which are as follow:

- Panel data not give the unbiased results when the assumption of pooling is not correct.
- The assumption of panel data is that the sample size should be large. If this assumption of large sample size is not fulfilled, like the time period of selected countries is small, then the results will gives us the false estimation and we can face the problem of biased results.

4.3 Proposed Methodology

4.3.1 Research Design

In order to develop the linkage between the firm's performance and independent variables we pursue a panel data analysis. Our sample consists of 59 listed companies of the Pakistan Stock exchange belonging to the manufacturing sector for the period of 2013-2017. There are several reasons for the selection of the manufacturing sector companies. One of the reason is that in Pakistan the major customer social responsibility is being done by the manufacturing sector and hence taking the data from the manufacturing sector will give significant impact of the corporate social responsibility reporting on the firm's performance. Other reason is that research and development outlay is actually mainly takeover by the manufacturing firm's especially in

Pakistan; so, for these reasons the manufacturing sector is the best suitable sample for the data collection.

The panel data evolve in the research is unbalanced panel data which is analyzed by using the software E-Views. The panel data analysis method used to evaluate in this research is the Least Square regression method.

4.3.2 Time Horizon

Financial data of 59 firms from non-financial sector of Pakistan. For this data collection, internet based sources were used as primary source of information. Other data was collected via personal requests to the related managers via emails.

4.3.3 Population and Sample Size

All the firms on non-financial sector that are registered with Pakistan stock exchange are the population for this research. Out of them 59 firms selected for data collection.

Companies which are listed in the Pakistan stock exchange and in decent size with respect to their capitalization were selected for the purpose of analysis. Moreover firms with insufficient data are eliminated form analysis. Final sample comprises of 220 observations related to 59 firms over the period of 5 years i.e. 2013-2017. Since the main objectives of this study are threefold i.e. first to check the impact of corporate social responsibility on the firms performance, second to check the impact of research and development outlay on the firm’s performance, thirdly to check the tax avoidance impact on the firm’s performance. Moreover the firms’ performance is going to measure with the help of the parameters of Return on assets, return on equity, earning per share and net profit margin. In this way when the financial performance which is the dependent variable is observed with four parameters which is evidencing that results are rigorous.

4.4 Description of Variables

Table 4.1 represents the definitions of the dependent and independent variables of this empirical study,

4.4.1 Tax Avoidance

To measure the effect of tax avoidance, it was required first to calculate the value of tax avoidance in some quantitative terms which was quite difficult as the firm are not willing to show how much actual money they have saved by the tax avoidance. For this, the method of Henry and Sansing that was introduced by them in 2014 is used. This method is also known as HS method. They proposed that, other methods like effective tax rate method etc. are based on pretax income, so market value of assets can also be used to examine it. HS formula is stated below

$$HS = \frac{Tax - (\tau \text{ x } Pretax)}{MVE}$$

Market value of equity (shareholders equity), is represented by MVE and the equation pretax is the net income Tax – (τ x Pretax) represents the net income of the organization as it can be explained as net income is equal to the pretax income minus tax. Then we get HS value. We put the value to get the results of the tax avoidance variable impact on the firm's performance. The tax avoidance actually have the impact in the statement of change in comprehensive income in the lower portion right after the EBT which is the income before tax and taxation is measured on it and after that tax avoidance variable will measure the firm's performance either in positive or negative direction.

4.4.2 Research and Development Outlay

To assess the impact of research and development on the financial performance of the firm, innovation ratio is used in this study. This idea was adopted from Hasio (2006), who proposed that.

Innovation ratio = Operating Income / (DR QTRAVG + AIA QTRAVG)

Operation income is mentioned by some firm directly under the heading of financial notes and it can also be obtained by deducting the operating expenses from the income of the firms. Innovation ratio represents production of new firms and services or enhancing the performance of the existing firms. In this impact actually the innovation ratio measures the impact of the firm's R & D outlay by which the firms do spending either long term or short term for the new product development or making improvements in already existing products so that they can exist in the market and sustain their sales to achieve maximum profits that results in high profits.

4.4.3 Corporate Social Responsibility

To measure the impact of corporate social responsibility different financial ratios are used as the direct and quantitative impact of CSR cannot be measured. For this purpose financial ratios like return on assets (ROA), return on equity (ROE), earning per share (EPS) and net profit are used to know that in years when firms were actively participated in CSR activities these ratios are improved or not and then their combined impact if analyzed in the name of CSR of the financial performance of the firms.

The firm's participation in the sense of CSR depends upon the rules and regulation prevailing in the country. The CSR is actually measured with KLD matrix (Jamal A.Nazari, 2017), according to this the CSR disclosure is checked for the firms and as well the CSR reporting is seen in the financial statements either they are performing it or not.

4.5 Firm's Performance

The Firm's performance is the dependent variable in the research which is measured by the observing the change in the Return on Assets, Return on Equity, Net Profit Margin and Earning per share in a sense to make the research rigorous. The explanation of these measures is as follows.

4.5.1 Return on Assets (ROA)

Return on assets is a monetary ratio that depicts fraction of profit, a company usually earns in relation to its overall resources or assets. It is most usually defined as net income divided by total assets. Net income is usually taken from the income statement of an organization. The assets are normally taken read from the balance sheet and these usually include current as well as non-current assets. (Juan. & Martinez-Solano, 2007).

4.5.2 Return on Equity (ROE)

In finance literature, the return on equity is a measure of the profitability of an organization, in relation to the shareholder's equity, ROE is a measure which shows that of how well an organization consumes investments to produce earnings (Juan, & Martinez-Solano, 2007).

4.5.3 Earnings per Share (EPS)

The term earnings per share (EPS) represents the portion of a company's earnings, net of taxes and preferred stock dividends, that is allocated to each share of common stock. The figure can be calculated simply by dividing net income earned in a given reporting period (usually quarterly or annually) by the total number of shares outstanding during the same term. Because the number of shares outstanding can fluctuate, a weighted average is typically used (Besely 2006, P.20) calculated as: (‘Earning per share’ n.d)

4.5.4 Net Profit Margin (NPM)

Net Profit Margin (also known as “Profit Margin” or “Net Profit Margin Ratio”) is a financial ratio used to calculate the percentage of profit a company produces from its total revenue. It measures the amount of net profit a company obtains per dollar of revenue gained. The net profit margin is equal to net profit (also known as net income) divided by total revenue, expressed as a percentage.

Net Profit Margin = Net profit / Total Sales * 100

Table 4.1

Definition of the Variables

Variable	Measurement
Dependent variables	
Firm’s Performance	ROA,ROE, Profitability Ratios, EPS
Return On Equity (ROE)	Profit before taxes to stockholders equity.
Return On Assets (ROA)	Profit before taxes to total assets.
Earnings per share	EACSH / No. Of Shares Outstanding
Net Profit Margin	NPAT / Total Sales * 100
Independent variables	
Corporate Social Responsibility Reporting (CSRR)	Using KLD Matrix Including the most Important CSR Disclosure and CSR Reporting (Jamal A.Nazari, 2017)

Corporate tax avoidance (TA)	HS = $\frac{\text{Tax} - (\tau \times \text{Pretax Income})}{\text{MVE}}$
Research and development outlay (RDO)	Innovation ratio = Operating Income / DR QTRAVG + AIA QTRAVG

4.6 Regression Equation

Panel least square regression method is used to estimate the effects of corporate social responsibility, corporate tax avoidance and research and development outlay on the firm's performance which is measured by the parameters of return on assets, return on equity, earnings per share and net profit margin. The regression equations are analyzed by checking fixed and random effect which is inhibited by applying the Haussmann test; if the Prob-value of the Haussmann test is < 0.05 that is the sign to reject the null hypothesis, indeed the fixed effect will be applied. The regression equation are as follows:

ROA = β0 + β1 CSR + β2 TA + β3 RD + μo

ROE = β0 + β1 CSR + β2 TA + β3 RD + μo

EPS = β0 + β1 CSR + β2 TA + β3 RD + μo

NPM = β0 + β1 CSR + β2 TA + β3 RD + μo

Whereas;

β0 = Constant

β1 = Slope / Intercept

β2 = Slope / Intercept

β3 = Slope / Intercept

μo = Error term

ROA= Return on Assets

ROA= Return on Equity

EPS = Earnings per share

NPM= Net profit margin

CSR= Corporate Social Responsibility Reporting

TA= Tax Avoidance

RD= Research and Development Outlay

Chapter 5 Empirical Results

5.1 Summary of Statistics

Table 5.1 demonstrates the descriptive statistics of all variables applied in the study.

5.1.1 Mean

Mean return on the dependent variables is as follows. Mean return on assets is 0.0191. While mean return on equity is 0.1416, net profit margin is 0.0040 and earnings per share mean value is 17.81.

In contrast the mean values of the independent variables are corporate tax avoidance (TA) is 0.0004, corporate social responsibility is 0.681 and the mean value of research and development outlay is 0.328. While the negative mean value of the net profit margin 0.0040 is actually due to accumulated losses in the manufacturing industry.

Table 5.1

	Obs.	Mean	Median	Maximum	Minimum	Std. Dev.	Sum	Sum Sq. Dev.
ROA	220	0.0191	0.02065	0.0628	0.048	0.0191	4.213	0.0804
ROE	220	0.1416	0.1268	0.6180	0.468	0.1784	31.171	6.9725
TA	220	0.0004	0.0000	0.0290	0.035	0.0125	0.0880	0.0343
CSR	220	0.6818	1.000	1.000	0.000	0.4668	150.00	47.727
NPM	220	0.0040	0.0657	0.7100	8.92	0.6978	0.885	106.65
EPS	220	17.816	8.390	85.00	41.3	23.232	3919.63	118208.4
RD	220	0.0328	0.0363	0.0605	0.020	0.0191	7.227	0.0801

Descriptive Statistics

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

5.2 Assumptions of Regression

For regression to run on data, its assumptions of Normality, absence of Multi-collinearity, Homoscedasticity and no Auto-correlation will be checked first.

5.2.1 Measurement of Normality

Very important part of any research is Normality assumptions, because a normally distributed data is always free from errors. However, a research which has consists of more than 100 quantitative observations, parametric test is used (Ghasemi, 2012). According to (Prabhaker Mishra, Chandra M Pandey, Uttam Singh, Anshul Gupta Chinmoy Sahu, and Amit Keshri, 2019), Skewness and kurtosis are the tests to check the data normality.

5.2.1.1 Skewness

As an interpreter points of view: If the skewness is less than -1 or greater than 1, then distribution is at high skewness. If skewness is between -1 and -0.5 or between 0.5 and 1, the distribution is moderately skewed. If skewness is between -0.5 and 0.5, the distribution is approximately symmetric.

5.2.1.2 Kurtosis

Kurtosis can reach values from 1 to positive infinite.

Meso kurtic: Normal distribution kurtosis = 3. Usually the normal distribution of the data is not there, it lies between the +1 to 3.

On the other hand if the kurtosis is greater than 3then is heavy tailed then it let to flatter approaching normal distribution, but this situation is known as leptokurtic.

For normal distribution in kurtosis the values should be between +1 to 3.

Table 5.2

Normality Test

	Skewness	**Kurtosis**
ROA	-0.761582	3.04993
ROE	-0.229806	2.676226
TA	-0.195195	1.875176
CSR	-0.78072	1.609524
NPM	-0.17276	1.7679
EPS	0.887516	2.48978
RD	-0.470483	2.246123

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

In the light of the **Table 5.2**, data taken in the empirical research is showing the normality in the light of skewness and kurtosis test. Observing the results of the skewness all the variables are near to the normality as values are lying between 0 to +/- 0.5, but the values of variables EPS, ROA and CSR are lying between the +/- 0.5 to +/- 1, showing moderate skewness. So, the data in the empirical test is moderately skewed showing the impact of normality.

In the light of test of kurtosis data taken in the empirical research is showing the normality as the kurtosis values for all variables are showing Meso kurtic effect which means that the data is approximately symmetric, in contrast only the kurtic value of ROA is >3 showing the leptokurtic notion but the data is fatter at tailed hence values of ROA are also near to normal.

Hence, in the view point of skewness and kurtosis the data in the empirical research is showing the approximately symmetric or normal distribution.

5.2.2 Multi Collinearity

Multi- collinearity is an assumption of Regression. If the variables have multi-collinearity, then the standard errors of coefficients are increased. Correlation matrix is used to find out multi collinearity in the variables.

Definition and measurement of variables also depict that there was no multi collinearity.

TABLE 5.3

Correlation Matrix

	ROA	ROE	EPS	NPM	CSR	TA	RD
ROA	1						
ROE	0.394	1					
EPS	0.326	0.451	1				
NPM	0.243	0.322	0.152	1			
CSR	0.048	0.016	0.064	0.095	1		
TA	0.008	0.005	0.107	0.070	0.073	1	
RD	0.222	0.227	0.253	0.134	0.002	0.107	1

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

In description of the results of Table 5.3 that is correlation matrix for the check of the multi collinearity in the variables. In the light of the matrix that there is no multi collinearity in the variables used in the empirical research.

In the table 5.3 of Correlation matrix the ROA has positive relationship with all other variables instead of CSR and TA, as there is presence of positive relationship between ROA and CSR and ROA and TA. In contrast ROE has the positive relationship with all the variables in the research model. In context of EPS there is only one positive relationship that is with the TA and same positive relationship is pertaining between NPM and TA. CSR also has a positive relationship with the RD. Conclusively, all the variables are correlated with each other but correlation value is less than +/- 0.5, determining no multi collinearity in the prescribed research model.

5.2.3 Auto Correlation

(M. L. KING, 1981) analyzed the first autoregressive regression disturbance for moving average disturbances in the data.

To check auto correlation, Durbin Watson test is applied which have,

Ho: $p = 0$

Ha: $p > 0$

Hb: $p < 0$

The rejection of null hypothesis means wither the DW-Test values are $d>2$ is the negative correlation which cannot be solved by the autoregressive model, but if $d<2$ moving towards positive side then to get the values near to $d=2$, the applicability of the autoregressive test with one lag period as variable is showing the residual values of the previous years in the current year. The statistic ranges by Durbin Watson in value from 0 to 4. A value near to 2 directs non-auto correlation, a value towards 0 shows positive auto correlation a value towards 4 specifies negative auto correlation.

In case of this empirical research the Durbin Watson test is applied with first autoregressive lag to remove the moving average disturbance in the data.

In our case the Durbin Watson d' values (autoregressor lag added), for EPS is 2.30, ROA is 2.18, ROE is 2.210 and NPM is 2.08 described in (Table 5.5, 5.7, 5.9, 5.11), which shows the DW value near to 2.0 hence the auto correlation is minimum in empirical research model.

In this autoregressive model the regression equations will take the forms of,

ROA = β0 + β1 CSR + β2 TA + β3 RD + β4 ROA (-1) + μo

ROE = β0 + β1 CSR + β2 TA + β3 RD + β4 ROE (-1) + μo

EPS = β0 + β1 CSR + β2 TA + β3 RD + β4 EPS (-1) + μo

NPM = β0 + β1 CSR + β2 TA + β3 RD + β4 NPM (-1) + μo

Whereas;

β_0 = Constant

β_1 = Slope / Intercept

β_2 = Slope / Intercept

β_3 = Slope / Intercept

β_4 = Slope / Intercept

μ_o = Error term

ROA= Return on Assets

ROE= Return on Equity

EPS = Earnings per share

NPM= Net profit margin

ROA (-1) = Lag Variable

ROE (-1) = Lag Variable

EPS (-1) = Lag Variable

NPM (-1) = Lag Variable

CSR= Corporate Social Responsibility Reporting

TA= Tax Avoidance

RD= Research and Development Outlay

5.3 Regression Results

The panel least square regression method is applied for the analysis of research models i.e. LS & AR Method is applied in e-views. The regression equations are analyzed by checking fixed and random effect which is inhibited by applying the Haussmann test; if the Prob-value of the Haussmann test is $p < 0.05$ that is the sign to reject the null hypothesis, indeed the fixed effect will be applied.

5.3.1 Effect of CSR, RD, TA on ROA

In Table 5.4 the Haussmann effect is shown for the above given regression equation, which is $p< 0.05$ predicting the applicability of the fixed effect in estimation of the regression equation.

Table 5.4

Correlated Random Effects - Hausmann Test

Equation: ROA

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	60.83393	4	0.000

Table 5.5

IMPACT OF CSR, RD, TA on ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.019	0.009	2.043	0.055
CSR	0.0342	0.012	2.85318	0.0238
RD	0.239	0.095	2.513	0.013
TA	0.757	0.320	2.367	0.020
ROA(-1)	0.199	0.096	2.080	0.041
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.835	Durbin-Watson stat		2.18
Adjusted R-squared	0.697	F-statistic		5.376

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

Results offered in Table 5.5 shows that CSR, RD, TA are statistically significant with ROA as the $p < 0.05$, which is showing significance level. Moreover R-squared for this model is 0.835 that is showing model fit and the independent variable are explaining the dependent variable.

5.3.2 Effect of CSR, RD, TA on ROE

In Table 5.6 the Haussmann effect is shown for the above given regression equation, which is p< 0.05 predicting the applicability of the fixed effect in estimation of the regression equation.

Table 5.6

Correlated Random Effects - Hausmann Test
Equation: ROE
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	108.463	4	0.002

Table 5.7

IMPACT OF CSR, RD, TA on ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.402	0.075	5.382	0.000
CSR	0.468	0.094	4.957	0.000
RD	1.827	0.746	2.450	0.016
TA	5.204	2.487	2.093	0.038
ROE(-1)	0.192	0.092	2.073	0.045
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.833	Durbin-Watson stat		2.210
Adjusted R-squared	0.694	F-statistic		5.692

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

Results offered in Table 5.7 shows that CSR, RD, TA are statistically significant with ROE as the p < 0.05, which is showing significance level. Moreover R-squared for this model is 0.833 that is showing model fit and the independent variable are explaining the dependent variable.

5.3.3 Effect of CSR, RD, TA on EPS

In Table 5.8 the Haussmann effect is shown for the above given regression equation, which is p< 0.05 predicting the applicability of the fixed effect in estimation of the regression equation.

Table 5.8

Correlated Random Effects - Hausmann Test

Equation: EPS

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	53.16	4	0.003

Table 5.9

IMPACT OF CSR, RD, TA on EPS

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.654	8.085	1.441	0.1519
CSR	26.390	10.079	2.618	0.053
RD	198.230	80.130	2.474	0.015
TA	554.493	265.392	2.089	0.034
EPS(-1)	0.260	0.092	2.822	0.006

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.790	Durbin-Watson stat	2.30
Adjusted R-squared	0.625	F-statistic	6.19

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

Results offered in Table 5.9 shows that CSR, RD, TA are statistically significant with EPS as the $p < 0.05$, which is showing significance level. Moreover R-squared for this model is 0.790 that is showing model fit and the independent variable are explaining the dependent variable.

5.3.4 Effect of CSR, RD, TA on NPM

In Table 5.10 the Haussmann effect is shown for the above given regression equation, which is p< 0.05 predicting the applicability of the fixed effect in estimation of the regression equation.

Table 5.10

Correlated Random Effects - Hausmann Test

Equation: NPM

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.402	4	0.034

Table 5.11

IMPACT OF CSR, RD, TA on NPM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.956	0.466	2.051	0.024
CSR	1.207	0.604	1.999	0.034
RD	9.998	4.685	2.134	0.076
TA	30.772	15.661	1.965	0.046
NPM(-1)	0.651	0.329	1.978	0.050
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.735	Durbin-Watson stat	2.081	
Adjusted R-squared	0.540	F-statistic	4.584	

Note: (ROA= Return on Assets, ROA= Return on Equity, EPS = Earnings per share, NPM= Net profit margin, CSR= Corporate Social Responsibility Reporting, TA= Tax Avoidance, RD= Research and Development Outlay)

Results offered in Table 5.11 shows that CSR, RD, TA are statistically significant with NPM as the $p < 0.05$, which is showing significance level. Moreover R-squared for this model is 0.735 that is showing model fit and the independent variable are explaining the dependent variable.

5.4 Discussion

(Juliana Bonomi Santos, Luiz Artur Ledur Brito, 2012) According to them the firm's performance is determined through number of factors but the internal factors which are having impact on the firm's performance are the profitability indicators. Profitability indicator is actually the measure of the firms' subjective performance which is very important and the profitability is measured by ROA, ROE, EPS and NPM. These four indicators are used in the empirical research so that firm's performance can be indicated. In the view point of regression analysis, the independent variables (CSR, TA, and RD) are defining the RAO, ROE, EPS and NPM with significance and has the positive impact on these indicators. Hence, from all the above mentioned tables and calculations it can be concluded that the impact of corporate social responsibility, tax avoidance and research and development out lay is significant on the financial performance of firm. The nature of relationship is found positive that means corporate social responsibility, tax avoidance and research and development outlay can increase the financial performance of a firm. This research is helpful for the business community too as it help them understand the impact of the dependent variables on the financial performance of the firms.

Chapter 6 Implications of the Study

6.1 Business, Managerial and Future Implications

This study has been made with a focus on knowing the factors that effects the financial performance of non-financial sectors firms from Pakistan. There are unlimited factors that can affect the performance of the firms related to revenue and profit generations and maximizing the wealth of shareholders. But this study has included three factors that are the policies and practices of tax avoidance, investments made by the firms in enhancing their products and services via research and development and involvement of a firm in social activities known as the social responsibility of the firm. These factors are chosen for the reason as these have gained the focus all over the world especially since couple of decades. People are getting more aware of their rights related to a firm and they expect more from organizations to do for society welfare. This factor influence people's decision making about purchasing the products or getting the services of a specific organization. Keeping this important factor in mind, the impact of CSR is included in this research.

With the changing environment a firm has to adopt latest techniques and technologies to sustain in the competition. Adopting the latest technologies has become necessary for the firms to survive in the race of competition. A firm needs to remain update and for this purpose it has to commit itself to invest in making research for new products and services and develop itself according to the needs of the time. Firms are investing huge amounts on R & D to get competitive advantage among the other firms. These investment put a burden in the financial aspects but if the research and development process gets successful, it gains high profits for the organizations. This is the reason behind including the research and development outlay in this study.

Taxes are always considered as a big cut in the profits of an organization and a huge cost that a firm has to pay to the government. Firms are never willing to pay such huge amounts from their profits to the government but they have to pay it for being legal. Another reason due to which firms pay high level of taxes is the image among the people. When people came to know about a firm that is not paying taxes thy considered it as irresponsible and a burden on the society as they consider them stealing the amounts from the government that will be used on their welfare by the government. To avoid this repute firm try to avoid taxes in legal ways. As the motto of the firms is to minimize their cost to maximum and taxes are one of the huge costs that is paid by the firms. That is why this study included tax avoidance as factor that influences the financial performance of the firms.

After the calculations made and results it is concluded that a the impact of a firm being a socially responsible firm by doing the activities of social welfare and avoiding harming the norms and values of a society, making investments in R & D to keep itself up to date and advanced and adopting appropriate methods to avoid tax are helpful in making a firm performing better in context of profit generation and making high revenues. This search is made with a deep interest to assess the impact of above mentioned variables on the firms from non-financial sector of Pakistan. This study has explored the impact of the above mentioned independent variables on the financial performance of the firms.

This study is helpful for the organizations to make decision related to their involvement and making expenses on making themselves a socially responsible for gaining a good repute among all the stakeholders. This study is helpful for the organizations to understand the importance of CSR for making their performance better by impressing their stakeholders. The question that either a firm should make expenses in CSR activities or not has been answered by the results of this study as firms can earn more by participating in CSR and it will not increase their costs without giving them any benefits rather it will pay back them more than the investment they will make in CSR.

Secondly this research is helpful for making firms understand the importance of research and development. Investors and other stakeholders that are concerned with the returns of an organizations have keen interest in knowing that either they should make investments in research and development or not as heavy amounts are spent on such processes. Results of this study have shown that when a firm makes investment on R & D it generates more profits and all the investment that is made in this context pay back them positively. So a firm should invest in developing its products and services and it is also necessary for the firm to keep themselves up to date to survive in the race of competition.

Thirdly, the impact of tax avoidance has been assessed in this research. This research shows that if a firm adopts appropriate measures to avoid the heavy costs of the taxes it can definitely improve its profits and can spend the cost that is saved from heavy taxes on other activities to make its performance better and also it will increase the ratio of return to the shareholders. The firms which were adopting proper tax avoidance activities have paid high dividends and also increased the value of the firms as compared to the firms which are not focusing on the tax avoidance. So this research is helpful for the finance managers in making decisions relate to the tax avoidance. This research also recommend that firms should not take aggressive tax avoidance decisions as these can cause a loss in the repute and firm can face legal actions against it that will not only increase the costs that will be made on the legal activities but also people will make a bad image of the firm. This thing will have an impact on their sales and revenues too. So taking appropriate tax avoidance measures will increase the financial performance of the organizations.

6.2 Recommendations

Results of the study suggest that firms should consider the importance of being socially responsible and take active part in making a firm socially responsible. Instead of thinking that involvement in activities of CSR will increase the expenses of the firm and it will put an extra burden on the firm and profits will cut down, manager should explain shareholders and investors that CSR will boost the revenues of the organization as people will get attracted towards the organization while having a good image of the organization. Secondly, an organization must understand that in competition, where other firms are also involved in CSR, it becomes necessary for the organization to take part in CSR for its survival. Previous researchers like Rahu (2016), Singnal (2012) and Barandu (2011) have shown that CSR can be helpful in getting a competitive advantage over the other organizations. Managers should not take it as an expense rather they should promote it as an investment will pay back in shape of growth in sales, high revenues and ultimately high profits. With reference to the results of this study, it is recommended that an organization should give importance to CSR and should actively participate in it to make its revenue and financial performance better.

Research and development needs a high investment. It is suggested that a firm should commit itself to make investments in research and development. In the current time every organization is trying its best to make innovations and adopt new methods and technology. Customers do look for the new innovations and new products. Every day firms keep on producing the products with new features and people are attracted towards the new technology and features. For the survival of the organizations it has become of critical importance to remain updated and keep on developing its products and services otherwise the competitors will get the lead in the market and it revenues of the organizations will fall. Managers should build the trust of investors in research and development. They should try to make them understand the importance of this investment. Shareholders are concerned with the maximization of their wealth in general. They are dependent on the managers for it. Manager should explain them the importance of doing this and should also explain them the results of R & D for the short term are less but in the long term a successful research and development will increase the value of the firm and it will generate a huge profit as compared to being relay on the old techniques and technology. But it is a very critical activity and if a firm remains fail in conducting research and development it will definitely cost a high amount to it. Research and development should be done by the organization but after doing a complete homework on it. A firm should know the needs and demands on the basis of which it is going to invest on research and development and it should be very clear that on which context or for which thing it is going to be done. Otherwise, wrong bases can cause a high cost of research and development to the organization and it will decrease its profits. Importance of the research and development cannot be neglected in context of a firm's performance. For the survival and taking an edge over the competitors a firm should keep on investing in research and development.

Taxes are one of the biggest costs that are made by every organization. If a firm doesn't pay taxes it can face many problems like legal actions, bad repute in the market and even many legal sanctions can be put on it. So a firm has to pay taxes. Secondly, by paying taxes a firm proves to be a responsible firm. But a firm has to manage its costs to generate maximum profits, for this a firm can adopt tax avoidance measures to cut down the taxes and use that money to pay high profits to the shareholders and investors. This study recommends that a firm should go for tax avoidance but in an appropriate way. It should not get aggressive in tax saving. It should adopt legal ways to avoid taxes and maintain its repute among the stakeholders in a respectable way. If a firm will take aggressive decisions for tax avoidance it will not only make it facing legal action by the authorities but will also damage its repute. A firm should hire experts for tax avoidance and managers should make shareholders and investors agree on an appropriate tax avoidance rate. They should make them understand that by taking aggressive decisions and try to save huge amounts of taxes can leads to the reputational loss as well as financial loss. This study recommends that tax avoidance should be adopted in an optimum way so that a firm may cut down the cost of taxes by maintaining its repute and customers as well. It should not go for the aggressive decisions with the greed of saving more and more taxes as it will not be fruitful rather it will increase the cost and a firm may loss it many customers for being irresponsible in their opinion. By saving amount from taxes a firm can use such amounts on research and development activities as well as on the welfare of society that will also increase its revenues. Secondly these amounts can be spent on the employees to make them more committed to the organization and motivate them to perform better that will have a positive impact on the performance of the firm.

CSR reporting. However, many countries have some mandatory regulations to disclose the CSR information in their financial statements. Government and stock exchange of the country plays an important role in this aspect. In this way the firms abide by the rules and regulation set by the countries in order to conduct the CSR activities in the country that will entertain the society and helps in increasing the trends of firm's performance. As firms get renowned while doing the CSR in the general public which will help the firm's in performing in the long run regarding their profitability and wealth maximization.

Chapter 7 Research Limitations

Although results of the empirical research are significant and predicting that dependent variable is best described by the independent variables in composite. The limitations of empirical research are as follows, data Collection and data availability is an issue, there was a severe issue of data availability as the company's financial statements doesn't contain ample data on corporate social responsibility reporting as well as on intellectual capital of firm and regarding the tax liability as well, so in this context the data is derived from different ratios and observations on innovation impact is observed by looking at the values of copyrights and patent rights.

One of the limitation is due to the availability of data of different sectors can be analyzed and as well so same model can be researched for meta-analysis as well. I.e. in between the sectors in Pakistan and as well in between the countries for the purpose of comparison.

In this empirical research variables should be added which are going to support the effectiveness of already used variables in the research as variable of Earning management should be added as it is going to support the corporate tax avoidance and as well the confounding variables should be added as, firm size, firm capitalization to enhance the research.

References

Adams, C., Hill, W. and Roberts, C. (1998). Corporate social reporting practices in Western Europe: Legitimising corporate behaviour? British Accounting Review, 30(1), pp. 1-12.

Adams, C.A. and Harte, G. (1998). The changing portrayal of the employment of women in British banks' and retail companies' corporate annual reports, Accounting, Organizations and Society, 23(80), pp. 781 812

Aldrich, H. E., & Reese, P. R. (1993). Does networking pay off? A panel study of entrepreneurs in the research triangle. Frontiers of entrepreneurship research, 1993, 325-339.

Apria, D. (2011). Relationship between corporate social responsibility and profitability in Indonesia. Thesis. Bina Nusantara University. Jakarta, Indonesia.

Arshad, R., Othman, S., & Othman, R. (2012). Islamic corporate social responsibility, corporate reputation and performance. World Academy of Science, Engineering and Technology, 64(4), 1070-1074.

Badertscher, B., S. Katz, and S. Rego. 2013. The separation of ownership and control and its impact on corporate tax avoidance. Journal of Accounting and Economics 56: 228–250.

Barnett, M. L., & Salomon, R. M. (2006). Beyond dichotomy: The curvilinear relationship between social responsibility and financial performance. Strategic Management Journal, 27, 1101-1122.

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. Academy of Management Journal, 42, 488-506.

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (1999). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. Academy of Management Journal, 42, 488-506.

Berman, S. L., Wicks, A. C., Kotha, S., & Jones, T. M. (2000). Does stakeholder orientation matter? The relationship between stakeholder management models and firm financial performance. Academy of Management Journal, 42, 488-506.

Bhattacharya, C.B., Sen, S., 2004. Doing better at doing good: when, why and how consumers respond to corporate social initiatives. Calif. Manage. Rev. 47 (1),9–24.

Bhave, M. P. (1994). A process model of entrepreneurial venture creation. Journal of business venturing, 9(3), 223-242.

Birley, S. (1985). The role of networks in the entrepreneurial process. Journal of business venturing, 1(1), -117.

Birth, G., Illia, L., Lurati, F. and Zamparini, A. (2008). Communicating CSR: practices among Switzerland's top 300 companies, Corporate Communications: An International Journal, 13(2), pp.182-196

Bonsón, E., & Bednárová, M. (2015). CSR reporting practices of Eurozone companies. Revista de Contabilidad, 18(2), 182-193.

Brammer, S., Millington, A., Rayton, B., 2007. The contribution of corporate socialresponsibility to organizational commitment. Int. J. Hum. Resour. Manage. 18(10), 1701–1719.

Brammer, S.J. and Pavelin, S. (2006). Corporate reputation and social performance: the importance of fit, Journal of Management Studies, 43(3), pp. 435-455

Brandau, M., 2012. Factors Beyond Food Attract Millennial Diners. Nation'sRestaurant News, Retrieved 17.01.14 http://nrn.com/latest-headlines/factors-beyond-food-attract-millennialdiners.

Brown, T.J., Dacin, P.A., 1997. The company and the product: corporate associations and consumer product responses. J. Mark. 61 (1), 68–84.

Cheung, Y.L., et.al. (2010). Does corporate social responsibility matter in Asian emerging markets? Journal of Business Ethics, 92, 401-413.

Choi, J.S., Kwak, Y.M., and Choe, C. (2010). Corporate social responsibility and corporate financial performance: Evidence from Korea. Australian Journal of Management, 35, 291-311.

China, K. P. M. G. (2011). China's 12th five-year plan: Overview. KPMG Insight Series, KPMG Adviso.

Clifford O & Torbira L (2011). Corporate Governance and Firm Performance in Nigeria.

Cormier, D., & Gordon, I. M. (2001). An examination of social and environmental reporting strategies. Accounting, Auditing & Accountability Journal, 14(5), 587-617.

Desai, M. A. and D. Dharmapala (2006a) "Corporate Tax Avoidance and High Powered Incentives" Journal of Financial Economics, 79, 145-179.

Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. Journal of Financial Economics, 79(1), 145-179.

Desai, M.A., & Dharmapala, D. (2009). Corporate tax avoidance and firm value. The Review of Economics and Statistics, 91(3), 537-546.

Desai, M.A., & Dharmapala, D. (2009). Earnings management, corporate tax shelters, and book-tax alignment. National Tax Journal, 169-186.

Duqi, A., Mirti, R., & Torluccio, G. (2011). An analysis of the R & Deffect on stock returns for European listed firms.

Dutton, J. E., Dukerich, J. M., & Harquail, C. V. (1994). Organizational images and member identification. Administrative Science Quarterly, 39, 239-263.

Dyer, J. H., & Singh, H. (1998). The relational view: Cooperative strategy and sources of interorganizational competitive advantage. Academy of management review, 23(4), 660-679.

Dyreng, S., and B. P. Lindsey. 2009. Using financial accounting data to examine the effect of foreign operations located in tax havens and other countries on U.S. multinational firms' tax rates. Journal of Accounting Research 47 (5): 1283–1316.

Dyreng, S., M. Hanlon, and E. Maydew. 2008. Long run corporate tax avoidance. The Accounting Review 83: 61–82.

Dyreng, S., M. Hanlon, and E. Maydew. 2014. Rolling the Dice: When Does Tax Avoidance Result in Tax Uncertainty? Working paper, Duke University, Massachusetts Institute of Technology, and The University of North Carolina.

Eberhart, A. C., Maxwell, W. F., & Siddique, A. R. (2004). An examination of long-term abnormal stock returns and operating performance following R & Dincreases. The Journal of Finance, 59(2), 623-650.

Epstein, M.J., Roy, M.J., 2005. Sustainability in action: identifying and measuringthe key performance drivers. Long Range Plann. 34 (5), 585–604.

Erle, B. (2008). Tax risk management and board responsibility in W.Schon (Ed.), Tax and Corporate Governance (pp. 205-220). Germany: Springer Berlin Heidelberg.

Fama, E.F., & French, K.R. (1998). Taxes, financing decisions, and firm value. The Journal of Finance, 53(3), 819-843.

Fombrun, C.J., Gardberg, N.A., Barnett, M.L., 2000. Opportunity platforms and safetynets: corporate citizenship and reputational risk. Bus. Soc. Rev. 105 (1), 85–106.

Font, X., Walmsley, A., Cogotti, S., McCombes, L., & Häusler, N. (2012). Corporate social responsibility: The disclosure–performance gap. Tourism Management, 33(6), 1544-1553.

Freeman, R., 1984. Strategic Management: a Stakeholder Perspective.Prentice-Hall, Englewood Cliffs, NJ.

Friedman, M. (1970). The social responsibility of business is to increase its profits. New York Times Magazine, September, 13.

Gamerschlag, R., Möller, K., & Verbeeten, F. (2011). Determinants of voluntary CSR disclosure: empirical evidence from Germany. Review of Managerial Science, 5(2-3), 233-262.

Gartner, W., Starr, J., & Bhat, S. (1999). Predicting new venture survival: an analysis of "anatomy of a start-up." cases from Inc. Magazine. Journal of Business Venturing, 14(2), 215-232.

Gibbons, G., 2010. Fairtrade Lost in Steam of Coffee Chain Rivalry. The Times , Retrieved 17.01.14

Givoly, D., & Shi, C. (2008). Accounting for software development costs and the cost of capital: Evidence from IPO underpricing in the software industry. Journal of Accounting, Auditing & Finance, 23(2), 271-304.

Godfrey, P. C., Merrill, C. B., & Hansen, J. M. (2009). The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. Strategic Management Journal, 30, 425-445.

Godfrey, P.C., 2005. The relationship between corporate philanthropy and shareholder wealth: a risk management perspective. Acad. Manage. Rev. 30(4), 777–798.

Godfrey, P.C., Hatch, N.W., 2009. Researching corporate social responsibility: an agenda for the 21st century. J. Bus. Ethics 70 (1), 87–98.

Gupta, S., 2002. Strategic Dimensions of Corporate Social Responsibility as Sources of Competitive Advantage via Differentiation. Unpublished Doctoral Dissertation. Temple University, USA.

Habek, P., & Wolniak, R. (2015). Factors influencing the development of CSR reporting practices: experts' versus preparers' points of view. Engineering Economics, 26(5), 560-570.

Hanlon, M., S. Laplante, and T. Shevlin. 2005. Evidence on the information loss of conforming book income and taxable income. Journal of Law and Economics 48: 407–442.

Hanlon, M., S. Rajgopal, and T. Shevlin. 2010. Large Sample Evidence on the Relation between Stock Options and Risk Taking. Working paper, University of Washington

Hansen, J. H. (1996). Analysis and compensation of speech under stress and noise for environmental robustness in speech recognition. Speech communication, 20(1-2), 151-173.

Harford, J., Mansi, S., & Maxwell, W. (2012). Corporate governance and firm cash holdings in the U.S in S. Boubaker, B. D. Nguyen & D. K. Nguyen (Ed.), Corporate Governance (pp. 107-138). New York, NY: Springer Berlin Heidelberg.

Helm, S., 2007. The role of corporate reputation in determining investor satisfaction and loyalty. Corporate Reput. Rev. 10 (1), 22–37.

Henry, E., & Sansing, R. C. (2014). Data truncation bias and the mismeasurement of corporate tax avoidance.

Hillman, A.J., Keim, G.D., 2001. Shareholder value, stakeholder management, and social issues: what's the bottom line? Strategies Manage. J. 22 (2), 125–139.

Hite, J. M., & Hesterly, W. S. (2001). The evolution of firm networks: From emergence to early growth of the firm. Strategic management journal, 22(3), 275-286.

Hite, J. M., & Hesterly, W. S. (2001). The evolution of firm networks: From emergence to early growth of the firm. Strategic management journal, 22(3), 275-286.

Hoang, H., & Antoncic, B. (2003). Network-based research in entrepreneurship: A critical review. Journal of business venturing, 18(2), 165-187.

Howard-Grenville, J. A., Hoffman, A. J., & Wirtenberg, J. (2003). The importance of cultural framing to the success of social initiatives in business and executive commentary. Academy of Management Executive, 17, 70-86.

Huang, H. H., G. J. Lobo, C. Wang, and H. Xie. 2014. Customer Concentration and Corporate Tax Avoidance. Working paper. Yeshiva University, University of Houston, and University of Kentucky.

Jo, H., and Harjoto, M.A. (2011). Corporate governance and firm value: The impact of corporate social responsibility. Journal of Business Ethics, 103, 351-383.

Khalid A & Fares J (2012). Corporate Social Responsibility associated with Customer Satisfaction and Financial Performance a Case study with Housing Banks in Jordan. International Journal of Humanities and Social Science volume 2, No 15; August 2012.

Khan, N., Kakabadse, A., & Kakabadse, N. (2015). Spirit of corporate social responsibility transforming from corporatism to socialized capitalism. Problems and Perspectives in Management, 2015(1), 85-95.

Kim, H.R., Lee, M., Lee, H.T., Kim, N.M., 2010. Corporate social responsibility and employee company identification. J. Bus. Ethics 95 (4), 557–569.

Kotabe, M., Srinivasan, S. S., & Aulakh, P. S. (2002). Multinationality and firm performance: The moderating role of R & Dand marketing capabilities. Journal of international business studies, 79-97.

Lee, B.B., Dobiyanski, A., & Minton, S. (2015). Theories and empirical proxies for corporate tax avoidance. The Journal of Applied Business and Economics, 17(3), 21-34.

Lev, B., & Sougiannis, T. (1996). The capitalization, amortization, and value-relevance of R&D. Journal of accounting and economics, 21(1), 107-138.

Lev, B., Petrovits, C., & Radhakrishnan, S. (2010). Is doing good for you? How corporate charitable contributions enhance revenue growth. Strategic Management Journal, 31, 182-200.

Lima Crisóstomo, V., de Souza Freire, F., Cortes de Vasconcellos, F., 2011. Corporate social responsibility, firm value and financial performance in Brazil. Soc. Responsibility J. 7 (2), 295–309.

Lin, C.P., Chen, S.C., Chiu, C.K., Lee, W.Y., 2011. Understanding purchase intention during product-harm crises: moderating effects of perceived corporate ability and corporate social responsibility. J. Bus. Ethics 102 (3), 455–471.

Lindgren, A., Swaen, V., and Johnston, W. (2009). The supporting function of marketing in corporate social responsibility. Corporate Reputation Review, 12, 120-139.

Luo, X., Bhattacharya, C.B., 2006. Corporate social responsibility, customer satisfaction, and market value. J. Mark. 70 (4), 1–18.

M., 2016. How is the hospitality and tourism industry different? An empirical test of some structural characteristics. Int. J. Hosp. Manage. 47,116–119.

Mackey Alison,Mackey Tyson B & Barney Jay B(2007), Corporate Social Responsibility and Firm Performance: Investor Preferences and Corporate Strategies. Academy of Management Review, Vol.32 No.3, 817-835.

Mahoney, L. and Roberts, R.W. (2007). Corporate social performance, financial performance and institutional ownership in Canadian firms, Accounting Forum, 31(3), pp. 233-253.

Makni, R., Francoeur, C. and Bellavance, F. (2009). Causality between corporate Social performance and financial performance: Evidence from Canadian firms, Journal of Business Ethics, 89(3), pp. 409-422.

Mallin, C., Farag, H., & Ow-Yong, K. (2014). Corporate social responsibility and financial performance in Islamic banks. Journal of Economic Behavior & Organization, 103, S21-S38.

Marimon, F., del Mar Alonso-Almeida, M., del Pilar Rodríguez, M., & Alejandro, K. A. C. (2012). The worldwide diffusion of the global reporting initiative: what is the point? Journal of Cleaner Production, 33, 132-144.

Martínez-Ferrero, J., Garcia-Sanchez, I. M., & Cuadrado-Ballesteros, B. (2015). Effect of financial reporting quality on sustainability information disclosure. Corporate Social Responsibility and Environmental Management, 22(1), 45-64.

McWilliams, A., Siegel, D., 2001. Corporate social responsibility: a theory of the firm perspective. Acad. Manage. Rev. 26 (1), 117–127.

McWilliams, A., Siegel, D.S., Wright, P.M., 2006. Corporate social responsibility: strategic implications. J. Manage. Stud. 43 (1), 1–18.

Muller, A., & Kraussl, R. (2011). Doing good deeds in times of need: A strategic perspective on corporate disaster donations. Strategic Management Journal, 32, 911-929.

Mulyadi, M.S., and Anwar, Y. (2011). Investor's perception on corporate responsibility of Indonesian listed companies. African Journal of Business Management, 5, 3630-3634.

Nelling, E., and Webb, E. (2009). Corporate social responsibility and financial performance: The "virtuous circle" revisited. Review of Quantitative Finance and Accounting, 32, 197-209.

Orlitzky, M., Schmidt, F.L., Rynes, S.L., 2003. Corporate social and financial performance: a meta-analysis. Organ. Stud. 24 (3), 403–441.

O'Connor, M. and Spangenberg, J.H. (2008). A methodology for CSR reporting: assuring a representative diversity of indicators across stakeholders, scales, sites and performance issues, Journal of Cleaner Production, 16(13), pp. 1399-1415.

Orlitzky, M., Schmidt, F.L. and Rynes, S.L. (2003). Corporate Social and Financial Performance: A Meta- Analysis, Organization Studies, 24(3), pp. 403-441.

Pan, X., Sha, J., Zhang, H. and Ke, W. (2014). Relationship between corporate social responsibility and financial performance in the mineral industry: Evidence from Chinese mineral firms, Sustainability (Switzerland), 6(7), pp. 4077-4101.

Peng, M.K., Zhang, S. and Li, X. (2007). CEO duality and firm performance during China's institutional transitions, Journal of Management and Organisational Review, 3(2), pp. 205-225.

Perrini, F. (2005). Building a European portrait of corporate social responsibility reporting, European Management Journal, 23(6), pp. 611-627
.

Pindado, J. (2010). T-Learning el potencial educativo de la televisión digital interactiva. In Congreso Euro-Iberoamericano de Alfabetización Mediática y Culturas Digitales (2010),. Universidad de Sevilla.

Preston, L.E., O'Bannon, D.P., 1997. The corporate social-financial performance relationship. Bus. Soc. 36 (4), 419–429.

Rajgopal, S., and M. Venkatachalam. 2004. Financial reporting quality and idiosyncratic return volatility. Journal of Accounting and Economics 51: 1–20.

Rego, S. O., & Wilson, R. (2009). Executive compensation, tax reporting aggressiveness, and future firm performance. In Working Paper, University of Iowa.

Reinhardt, F.L. and Stavins, R.N. (2010). Corporate social responsibility, business strategy, and the environment, Oxford Review of Economic Policy, 26(2), pp. 164-181

Rhou, Y., Singal, M., & Koh, Y. (2016). CSR and financial performance: The role of CSR awareness in the restaurant industry. International Journal of Hospitality Management, 57, 30-39.

Russo, M. V., & Harrison, N. S. (2005). Organizational design and environmental performance: Clues from the electronics industry. Academy of Management Journal, 48, 582-593.

Sarwar A,Zahid I & Ikram H(2012). Corporate Social Responsibility and Financial Performance linkage evidence from the Banking Sector of Bangladesh. *Journal of Organizational Management Page 14-21.*

Shevlin, T., & Porter, S. (1992). "The Corporate Tax Comeback in 1987" Some Further Evidence. The Journal of the American Taxation Association, 14(1), 58.

Sikka, P. (2010). Smoke and mirrors: Corporate social responsibility and tax avoidance. Accounting Forum, 34(3), 153-168.

Singal, M., 2012. Effect of consumer sentiment on hospitality expenditures and stock returns. Int. J. Hosp. Manage. 31 (2), 511–521.

Singal, M., 2014. Corporate social responsibility in the hospitality and tourism industry: do family control and financial condition matter? Int. J. Hosp.Manage. 36, 81–89.Singal,

Soana, M. G. (2011). The relationship between corporate social performance and corporate financial performance in the banking sector. Journal of Business Ethics, 104, 133-148.

Surroca, J., Tribo, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: The role of intangible resources. Strategic Management Journal, 31, 463-490.

Surroca, J., Tribo, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: The role of intangible resources. Strategic Management Journal, 31, 463-490.

Swenson, C. (1999). Increasing Stock market value by reducing effective tax rates. Tax Notes, 83, 1503-1505.

Tao, J., Van Esch, H., Hagedorn-Greiwe, M., Hoffmann, K., Moser, B., Raynaud, M & Ropers, H. H. (2004). Mutations in the X-linked cyclin-dependent kinase–like 5 (CDKL5/STK9) gene are associated with severe neurodevelopmental retardation. The American Journal of Human Genetics, 75(6), 1149-1154.

Tilt, C.A. (1994). The influence of external pressure groups on corporate social disclosure: Some empirical evidence, Accounting, Auditing and Accountability Journal, 7(4), pp. 56-71.

Toivanen, O., Stoneman, P., & Bosworth, D. (2002). Innovation and the market value of UK firms, 1989–1995. Oxford Bulletin of Economics and Statistics, 64(1), 39-61.

Ullmann, A. (1985). Data in search of a theory: A critical examination of the relationships among social performance, social disclosure, and economic performance. Academy of Management Review, 10, 540-577.

Vance, S.C., 1975. Are socially responsible corporations’ good investment risks? Manage. Rev. 64 (8), 19–24.

VanderPal, G. (2015). Impact of R & Dexpenses and corporate financial performance.

VanderPal, G. (2015). Impact of R & Dexpenses and corporate financial performance.

Waddock, S.A., & Graves, S.B. (1994). The Corporate Social Performance-Financial Performance Link. Strategic Management Journal, John Wiley & Sons, 18(4), 303-319.

Waddock, S.A., Graves, S.B., 1997. The corporate social performance. Strategic Manage. J. 8 (4), 303–319

Wang, Y. G. (2011). Corporate social responsibility and stock performance-evidence from Taiwan. Modern Economy, 2, 788-799.

Wartick, S. L., & Cochran, P. L. (1985). The evolution of the corporate social performance model. Academy of Management Review, 10, 758-769.

Wood, D. J., & Jones, R. E. (1995). Stakeholder mismatching: A theoretical problem in empirical research on corporate social performance. International Journal of Organizational Analysis, 3, 229-267.

Wahab, N.S.A., & Holland, K. (2012). Tax planning, corporate governance and equity value. The British Accounting Review, 44(2), 111-124.

Wang, D. H. M., Chen, P. H., Yu, T. H. K., & Hsiao, C. Y. (2015). The effects of corporate social responsibility on brand equity and firm performance. Journal of business research, 68(11), 2232-2236.

Weber, O., Koellner, T., Habegger, D., Steffensen, H. and Ohnemus, P. (2008). The relation between the GRI indicators and the financial performance of firms, Progress in Industrial Ecology, 5(3), pp. 236-254.

Wibisono, Y. (2007). Concept and application of CSR. Gresik: Fascho Publishing.

Wu, A. Q. (2006, Septmeper). Personal status, enterprise development, social responsibility, and the risk system: Motivation of Chinese entrepreneurs' governance participation [in Chinese]. Excellent Papers of Chinese Academy.

Williams, L. S. (2008). The mission statement: A Corporate reporting tool with a past, present, and future. Journal of Business Communication, 45(2), 94–119.

Wilson, R. (2009). The development of Islamic finance in the GCC. Working Paper of the Kuwait Programme on Development, Governance and Globalisation in the Gulf States. The Centre for the
Study of Global Governance, London School of Economics.

Wolfe, R. and Aupperle, K. (1991). Introduction to Corporate Social Performance: Methods for Evaluating an Elusive Construct. In J.E. Post (ed), *Research in Corporate Social Performance and Policy*, 12 JAI Press, Greenwich, CT (pp. 265-268).

Wu, M. L. (2006). Corporate social performance, corporate financial performance and firm size: A meta-analysis. Journal of American Academy of Business, 8, 163–171.

Wuttichindanon, S. (2017). Corporate social responsibility disclosure—choices of report and its determinants: Empirical evidence from firms listed on the Stock Exchange of Thailand. Kasetsart Journal of Social Sciences.

Yusoff, H., Salwa Mohamad, S. and Darus, F. (2013). The Influence of CSR Disclosure Structure on Corporate Financial Performance: Evidence from Stakeholders' Perspectives, *Procedia Economics and Finance*, 7, pp. 213-220.

Zhang, C., Cheong, K. C., & Rasiah, R. (2017). Corporate tax avoidance and performance: Evidence from China's listed companies. Institutions and Economies, 61-83.

Zeghal, D. and Ahmed, S.A. (1990). Comparison of social responsibility information disclosure media used by Canadian firms, *Accounting, Auditing and Accountability Journal*, 3(1), pp. 38-53.

Zorio, A., García-Benau, M. A., & Sierra, L. (2013). Sustainability development and the quality of assurance reports: empirical evidence. Business strategy and the environment, 22(7), 484-500.